

2017

Perceptions of the Developmental State Mindset in Vietnam: The Influence of International Actors

Hoa Quang Le
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Recommended Citation

Le, Hoa Quang, Perceptions of the Developmental State Mindset in Vietnam: The Influence of International Actors, Doctor of Philosophy thesis, School of Humanities and Social Inquiry, University of Wollongong, 2017. <https://ro.uow.edu.au/theses1/179>



Faculty of Law, Humanities and the Arts

**Perceptions of the Developmental State Mindset in Vietnam: The Influence
of International Actors**

Hoa Quang Le

**This thesis is presented as part of the requirements for the
award of the Degree of**

Doctor of Philosophy

**of the
University of Wollongong**

December 2017

Abstract

Globally the debate on the most effective pathway for development has reached somewhat of an impasse, with the two dominant approaches of market-led (neoliberal) development and developmental state approaches still at loggerheads. In the rapidly developing country of Vietnam, scholars have debated which of these two approaches is now most influential. Elizabeth Thurbon's (2016) concept of the 'developmental mindset' offers an effective way to evaluate Vietnam's directions because it allows scholarship to move beyond debating the meaning of particular policies, and to consider the mindset of leaders and policy-makers regarding development directions. Thus, this thesis evaluates the perceptions of the developmental state mindset in Vietnam but it focuses on the influence of international actors who have played a key role in shifting thinking about development in Vietnam. The international actors studied are: foreign economic actors, International Organisations (IOs), and international Non-Governmental Organisations (INGOs).

The thesis begins with a review of the research literature on the impact of globalisation on the nation-state and understandings of the developmental state, before introducing the concept of the developmental mindset. Next, the context in Vietnam is reviewed, along with key policy directions and documents. Based on this broad view, the thesis uses a case study approach to analyse the influence of international actors on the developmental state mindset in Vietnam.

Vietnam began diving into development and globalisation from a big reform or renovation called *Doi Moi*, which commenced in 1986. Yet, despite its developing country status, Vietnam has been regarded as a relatively strong state. As a consequence, the thesis seeks evidence around the impact of globalisation on the state and the shifting developmental mindset. The Vietnamese state has actively engaged with a range of international actors. The three actors studied in this thesis have been particularly influential in Vietnam. Thus, the central focus of the thesis is to analyse the role of foreign economic actors, IOs and INGOs to show the relation between the realities of Vietnam, the research literature, and the perceptions of their influence on the developmental state mindset and policy in Vietnam.

Overall, the thesis demonstrates the depth of engagement of international actors with Vietnam's developmental mindset at the national, provincial and local levels. All these international actors, in different ways, contribute to creating views around the role of the state in economic management, the direction of reform of political-economic institutions and directions for social development. The Foreign Direct Investment (FDI) sector most directly influences views about economic management, promoting a market-led view and challenging developmental state capacity in sustainable economic development. But it has not undermined local government's developmental mindset and capacity, rather local government have responded proactively to the challenges created by FDI.

IOs have concentrated on institutional reform mostly at the federal level and have brought international rules and Western norms to Vietnam, albeit mostly those which have a neoliberal direction. Still, IOs have effectively contributed to national developmental strategy and institutional capacity enhancement, and are regarded relatively positively in Vietnam. However, the effectiveness and extent of the IOs' influence depends on whether their directions align with the strategy and plans of the government. Where there is less fit, they are less likely to have influence. IOs have certainly contributed to the promotion of a more market-led approach to development in Vietnam. However, while they have altered the developmental mindset, the influence of developmental state ideas has not completely disappeared. As is apparent in the study of INGOs in Vietnam, these organisations mainly focus on grassroots activities with vulnerable and poor people in undeveloped rural and remote areas. As a result, the INGOs have influenced local and national government through introducing new models, methods, and approaches to social development, as well as their training programs. Their influence enhances the focus on social development within the overall developmental approach, a variation of the traditional developmental state approach but generally a positive one.

In brief, the conclusion is that Vietnam is still more of a developmental state than it is a liberal or neoliberal one, but the influence of international actors has spread the influence of market-led developmental ideas. If these ideas become hegemonic, the political and policy space for the country would be significantly reduced.

Acknowledgements

My first thank is to my supervisor, Dr Susan Engel, who enthusiastically guided and supported me throughout the many years of this doctoral work. At the beginning, there was a bit of gap for me between my academic background, my English writing and the academic standards in Australia. Susan provided great support and direction and she gave me the confidence to develop the ideas of the thesis, to attend and give presentations at different workshops and conferences as well as at honours and master classes. Not only academically oriented, Susan brought her depth, concern, and assistance to share with my family life in difficult times. Thank you so much Susan. I do not have enough words to thank you for all your help. Thanks also to A/Prof Diana Kelly, who came later as co-supervisor, her readings of the final draft were careful, insightful and much appreciated.

I would like to thank the University of Wollongong, especially the Faculty of Law, Humanities and the Arts for their technical, financial, and administrative support. Thanks to the Learning Development Centre, Illawarra Committee for International Student (ICIS), IT support, librarians, etc. for their enthusiasm and useful assistance. To the academic staff and postgraduate colleagues at Wollongong, thank you for your warm welcome and for giving me chances to practise and develop research skills through our research activities such as writing groups, research weeks, seminars, and so on. As I look back now, I recognise that those activities were very useful.

Thanks to the Vietnamese Government-the Ministry of Education and Training for the favourable policy on study abroad and financial support, which made the project possible. Specifically, I would like to express my deep gratitude to people of my homeland who pay taxes; they are the genuine sponsors of my course. Yes, I will do my best to deserve their support and expectations.

To my family, my first thank is to my wife Trang, you have fully supported me in this endeavour; you have made too many sacrifices for me; I was absent both times you gave birth. I would like to dedicate this thesis to my boys Minh Huy and Minh Hien, who add so much emotion and expectation to my life. And yes, now I am finished, I will be back and give you a lots of hugs and kisses, play whole day with both of you,

and more, and more. Thanks to my other family and friends, I can't name everyone, but thanks to Mum and Dad, who brought a lot of encouragement and ambition to me to finish this work.

I would particularly like to thank all my friends in Wollongong, especially the Vietnamese student community, your care, sharing, and help to me through out many years of my student life here are significant. I will miss you all very much when I go back to Vietnam.

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List of Abbreviations

ADB	Asia Development Bank
ASEAN	Association of Southeast Asian Nations
CAS	Country Assistance Strategy
CASI	Civil Action for Socio-economic Inclusion
CG	Consultative Group
CIEM	Central Institute for Economic Management
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPS	Country Partnership Strategy
CPV	Communist Party of Vietnam
DS	Developmental State
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GoV	Government of Vietnam
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
IOs	International Organisations
ISEE	Institute for Studies of Society, Economics and Environment
MDGs	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MFN	Most Favored Nation
MIA	Missing in Action
MNCs	Multinational Corporations
MPI	Ministry of Planning and Investment
NGO	Non-Governmental Organisation

NT	National Treatment
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department
PACCOM	People's Aid Co-ordinating Committee
PRSP	Poverty Reduction Strategy Paper
SAC	Structural Adjustment Credit
SBV	State Bank of Vietnam
SDT	Special and Differential Treatment
SEDS	Socioeconomic Development Strategy
SMEs	Small and Medium Scale Enterprises
SOE	State Owned Enterprise
SRA	Strategic-Relational Approach
SRV	Socialist Republic of Vietnam
TNCs	Transnational Corporations
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
VCCI	Vietnam Chamber of Commerce and Industry
VDR	Vietnam Development Reports
VUFO	Vietnam Union of Friendship Organisations
WBG	World Bank Group
WEF	World Economic Forum
WTO	World Trade Organisation

Chapter One

Introduction

1.1. The project

Power and the state are not constant objects and change frequently in different periods. In the ancient state, power was located at the centre, and overwhelmingly concentrated around the king and his household; in the feudal system, this power concentrated on princes and mandarins; and in capitalism or the modern state, the power belongs to the bourgeois, or in another approach, power is held by the representatives of the people selected in elections (Gill 2003). Although the composition of states change, the nature of the state is to impose itself upon, or intervene in, communities. This intervention can be strong or weak and direct or indirect, depending on the type of state or political regime functioning and the different historical context. In modern society, many states can be roughly grouped into one of two broad types of state: state-controlled systems meaning socialist states and dictatorial states some of which emphasise a centrally planned economy and bureaucratic subsidy; and regulatory state systems, meaning (more or less) democratic states and emphasising the supposed passivity of the state in the context of laissez-faire capitalism. Standing between the two is the model of the ‘developmental state’, which features states taking a proactive leading role in driving economic development in a market economy (Johnson 1982; Bagchi 2003; Chang 2003).

Prior to 1986, the Vietnamese state was, at least in theory, structured following the socialist model of a planned economy. The state intervened directly in all aspects of communities and there was an extensive bureaucracy. *Doi moi*, Vietnamese for reform or renovation, is a nodal point marking a transition of the Vietnamese state. *Doi moi* started around 1986 and saw Vietnam transformed from relatively centralised rule towards commodity-based economic development and, in more recent years, towards a market-based, but socialist-oriented economy. Vietnam undertook structural economic reform first and then step-by-step political and structural reform in a range of areas (Communist Party of Vietnam 1986; Dang Phong 2012). These reform efforts are indicated by changes in policymaking and administrative reforms and in policy

implementation. The aims of these reforms have been broadly to meet new external and internal challenges in order to develop in a globalised world (Thayer 2010).

Vietnam's transition process has been influenced by *laissez faire* and even neoliberal ideas on the one hand, and developmental state ideals on the other hand (Painter 2003; Beresford 2008; Gainsborough 2010; Masina 2012; Pham 2012; Bui 2015). It is still not clear which of these two approaches has been most influential, nor which will direct the country's future development trajectory. Elizabeth Thurbon recently advanced the idea of a 'developmental mindset' to explain why in South Korea, despite the liberalisation since late 1990s, the key role of the state in development has not disappeared (Thurbon 2016). Thurbon argued that the continuation of a development mindset by South Korean political leaders and policy elites is the key to understanding why the state has taken a renewed developmental activism through finance policy. The importance of a developmentally focused elite has long been part of the developmental state literature (Johnson 1982), however Thurbon (2016: 17) argues this ideational aspect has not been given adequate emphasis and her approach is useful for understanding it in the context of contemporary globalisation. This thesis aims to apply this concept of the developmental state mindset to Vietnam focusing on the influence of international actors.

The meaning of development in the context of globalisation is as complex as globalisation itself, and both of them are now associated with increased interaction and integration among different countries. Globalisation is seen by scholars to be powered primarily by international trade, transferable investments and the development of improved transport and information technology (Giddens 2001: 152; see also Mann 2013:1-10; Piketty 2014: 23). Through a long period of operation, globalisation is often seen as an irreversible process, which has affected almost all countries and regions and influenced changes across the world. One of the key debates about globalisation has been its impact on state capacity. While a range of scholars, particularly those from the liberal tradition, have argued that globalisation has undermined state capacity, other scholars have argued that globalisation has contributed to, reinforced and augmented many components of state capacity. Critical international political economy scholars argue that state capacity is certainly changed or pressured by globalisation, but each state will be affected in different ways, sometimes in ways that reinforce state capacity (Cox 1986, Mann 2013, Weiss 1998, 1999).

In this context, the influence of emerging actors associated with globalisation can be seen clearly in a developing state like Vietnam, for example, with its growth of foreign economic actors, expansion of International Organisations (IOs) and the blossoming of International Non-Governmental Organisations (INGOs). These emerging actors are, to a greater or lesser extent, a notable influence on development trajectories in Vietnam. It is important to understand how they have interacted with the developmental state in Vietnam and what perceptions of development those actors have and equally how the Vietnamese policy makers working with them view their role, hence the focus of this thesis on them.

1.2. Purpose and Significance of the Study

In exploring the idea of a developmental state, most scholars focus on the leading role of the state in driving development, examining whether and how the state has a proactive, autonomous role and its level of control over the economy. However, as noted above, Elizabeth Thurbon (2016) has argued that the idea of a developmental mindset needs to be given more prominence in the debate about developmental states. She argues that a developmental mindset as much as institutions or policies is a central element in distinguishing a developmental state from other state types (Thurbon 2016: 17).

Further, internal or domestic factors of state-led development are often emphasised in developmental state literature. However, in the context of globalisation, developmental states are actively influenced by a range of international actors, which combine with the state's own strategic development policies to affect development ideas and trajectories. Therefore, the central question this thesis explores is how the interaction with international actors have impacted on the development mindset in Vietnam and whether these international actors work to promote or negate a mindset focused on improving the country's growth and development. In this sense then, the approach to a developmental mindset is broader than Thurbon's (2016) as it examines not just economic activity but broader socioeconomic activity too though in both cases the activities aim at 'protecting and cultivating the nation' (Thurbon 2016: 16).

Specifically, this thesis evaluates the developmental mindset of three crucial emerging international actors in the country: foreign economic actors, International Organisations,

and international Non-Governmental Organisations in Vietnam. For each of these actors, the thesis:

- analyses the mindset of these actors around development and the perceptions of them and their influence in the context of Vietnam's socialist market economy; and
- explores the mindset and perceptions of these actors against the literature on the developmental state in general and in Vietnam specifically.

Thus, the research aims to explore the influences of newly emerging international economic, political and social actors in Vietnam in the context of integration. This provides the context to analyse the mindset and perceptions of these actors' influences on aspects of Vietnam's development. Finally, I focus on the fit between the realities of Vietnam, the research literature, and perceptions of their roles on developmental state in Vietnam.

The thesis seeks to contribute to the academic and policy literature by offering:

- a systematic overview of the emergence of these new international actors in Vietnam through different periods and significant changes;
- a better understanding of newly emerging actors in the context of integration and issues related to developmental state in Vietnam; and
- a contribution to current research on contemporary developmental states and globalisation through a case study of Vietnam.

There has been controversy in the research literature about the independence and autonomy of the state in the context of globalisation. With the dramatic spread of democracy and globalisation, some scholars have argued that the national state is declining due to the increasing influence of international actors, while others argue that claims about the death of state capacity are overstated to say the least. This thesis also aims to contribute to the state capacity literature by reviewing the key critically-minded theorists of those relations and the role of international actors in the developmental state by undertaking a case study of Vietnam. However, its main contribution is an analysis of the mindset and influence of international actors on the developmental state in Vietnam developed mostly from a series of interviews with key players in each of the

three case areas. This is complemented by academic literature, policy debates and current affairs literature. Studying these perceptions in the context of academic literature provides specific evidence from Vietnam and reveals the contemporary fault lines around developmental state and globalisation.

Most previous studies by both Vietnamese scholars and foreign scholars have been about the changing state of Vietnam or the impact of globalisation on social and economic development or cultural change in Vietnam. These studies have not analysed the linkages between international integration and the developmental state in Vietnam. Thus, this research fills in this gap. This is also the first research on the Vietnamese developmental state funded by Vietnam's government in general and the Institute of Political Science- Ho Chi Minh National Academy of Politics in particular, written in English about the development mindset in Vietnam.

In order to set the context for this study, this chapter next analyses the literature on globalisation and then on the developmental state. This covers issues of state capacity, state form and changes caused by global flows and international institutions. These two reviews provide the context for the thesis methodology, which follows. This introduction chapter concludes with an outline of the chapter structure of this dissertation.

1.3. Literature Review

1.3.1. Globalisation and the National State

Globalisation is a process associated with increased constraints on states and interdependence among them. It features a growing influence for international organisations and non-governmental organisations as demonstrated by the increasing number of agreements, contracts and charters among states as well as the blossoming of huge of network of global commercial interests. It is also strongly linked to the increased speed of communications across the globe, through changes in both transport and information technology. In this context, one of the key debates is the impact of globalisation on national states.

David Held, Anthony McGrew and Jonathan Perraton (2000) outline the three dominant perspectives on globalisation. They assert that scholars of the first wave of

globalisation, or 'hyperglobalists', were influenced by the liberal tradition and argued that globalisation has undermined state capacity. Hyperglobalists argue that we live in an increasingly global world in which states are being subjected to large-scale economic and political processes of change. These political-economic processes are eroding and fragmenting nation-states and diminishing the power of politicians. In these circumstances, states are increasingly the 'decision takers' and not the 'decision makers' (Held, McGrew et al. 2000: 15). The second wave of globalisation scholars, or sceptics, strongly resist the hyperglobalist view on the erosion and fragmentation of nation-states under the impact of globalisation and believe that the contemporary global circumstances are not unprecedented. In their account, while there has been an intensification of international and social activity in recent times, this has reinforced and enhanced state powers in many domains.

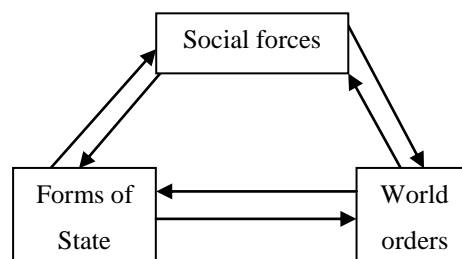
Finally, Held et al., saw a third wave called 'transformationalists', who argue that globalisation is creating new economic, political and social circumstances that transform state powers unevenly as well as the context in which states operate. They do not predict the outcome of this transformation - indeed they believe it is uncertain - but argue that politics is no longer, and can no longer simply be, based on nation-states (Held, McGrew et al. 2000: 15). Equally, Martell (2007: 195) notes that this wave defined that, in the context of global capital flows, 'states are retaining sovereignty but this is being reshaped and shifting because of things like the rise of regional institutions'. Held et al. are widely seen as representatives of the third waves for their conclusion that contemporary globalisation is creating 'a new regime of government and governance' that is emerging as 'a more activist state' and that it makes most sense to 'speak of the transformation of state power' (Held, McGrew et al. 2000: 28).

The central concern of this literature has been to answer questions such as: has the form of state changed with new types of world order? What is the fate of nation states in the era of globalisation? Will the nation state survive globalisation? Is it the case that the more globalisation accelerates, the less space there is for the nation state? Is globalisation undermining state sovereignty? As international integration advances, are national governments becoming less relevant? Questions like these abound. Different scholars have come up with a range of different answers to these questions. In order to give specific views and answers, the next section outlines the perspectives of

Robert W. Cox, Michael Mann, and Linda Weiss as key critically-minded theorists of the nation-state and globalisation. Cox is a critical theorist,¹ while Mann and Weiss are institutionalists.² I utilise Cox's approach to world order as the theoretical basis for the thesis, however, Mann and Weiss's positions are useful additions to better understand globalisation and, in particular, the case study of Vietnam.

Cox's approach to world order provides the overarching theoretical inspiration for the project. Cox (1986) examined the ideologies behind different approaches to world order grouping them broadly into problem-solving theories (e.g. realism, neorealism) and critical theories (e.g. neo-Marxism and poststructuralism). He generalised three fundamental levels of action that are, 'the nature of man', 'the nature of states', and 'the nature of the state system' (Cox 1986: 211-212). From this generalisation, Cox's methodology for thinking about historical structures uses three levels - social forces, forms of state and world orders, as illustrated in the diagram below.

Diagram 1: Cox's View of triangle relation: society-state-world order



Source: (Cox 1986: 221)

Regarding the reciprocal relationships between social forces and forms of state, Cox investigated these relations base on analyses of production relations. He noted that production is the premise of all his arguments and that it is considered as the material basis 'for all forms of social existence' and as the starting point for thinking about

¹ Following the Stanford Encyclopedia of Philosophy: Critical Theory has a narrow and a broad meaning in the philosophy and history of the social sciences. "Critical Theory" in the narrow sense designates several generations of German philosophers and social theorists in the Western European Marxist tradition known as the Frankfurt School. In the broad sense it refers to scholars who take a critical approach to understanding and interrogating power and contemporary social relations and not taking them for granted. See more in <https://plato.stanford.edu/entries/critical-theory/>

² Institutionalism in the social sciences is an approach that emphasises the role of institutions. Its's study has a long pedigree and draws insights from previous work in a wide array of disciplines, including economics, political science, sociology, anthropology, and psychology. Accordingly, institutionalism is frequently characterised by the attention it gives to history. The institutionalism that emerged in the 1980s is called new institutionalism (NI), but it does draw on previous scholarship. See more in <https://www.britannica.com/topic/institutionalism>.

historical structures (Cox 1987: 1). According to the author, the relationship between social forces and states penetrates from the social relations of production. He asserted that 'new modes of social relations of production become established through the exercise of state power' (Cox 1987: 105). Therefore, by analysing historical production relations, Cox showed the mutual connection between social forces and states. His view becomes clearer when he clarifies that the actions of the autonomous state are 'consistent with the economic project of the [dominant] class as a whole' (Cox 1987: 149). Cox showed that the development of social forces in the era of industrialisation and capitalism of the eighteenth and nineteenth century was paralleled by a transformation from 'the liberal form of state' to 'the welfare nationalist form of state' (Cox 1986: 226). Thus, it can be seen that the changes of social relations of production or the development of social forces leads the transformation form of state.

Cox also emphasised the role of international institutions in creating the contemporary world order and in influencing states. He took the cases of the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD) as evidence of internationalisation of the state. Cox emphasised that international institutions developed with the main function of reconciling 'domestic social pressures with requirements of a world economy' (Cox 1986: 230) and this system is 'one in which central agencies of the U.S. government were in a dominant position' (Cox 1986: 231). In the end, that system interacts with nation states and 'it was a power structure seeking to maintain consensus through bargaining and one in which the bargaining units were fragments of states' (Cox 1986: 231).

Overall then on world order, as Engel (2010: 12) explained Cox argues that: 'forms of state... can be influenced by the structure of the world order and can influence the structure'. Thus, Cox's analysis of the importance of relationships between international institutions and states pave the way for the thesis to investigate international actors in Vietnam, finding the influence and contributions of these actors as centrally important to the Vietnamese state in driving economic development.

Cox does not say as much about social forces; here it is useful to turn to Mann's analytical history of social power. Mann provided a depth analysis of four sources of social power, which are ideological, economic, military, and political power - the IEMP model of power. He prefers 'to reserve the term "political" for the state' and affirmed

that states have ‘the centralised-territorial form, which makes their rule authoritative over persons residing in their territories’ (Mann 2013: 2). Thus, modern state power can be considered as the state’s capacity to impose its rules and penetrate society across its territory. Mann often analyses state relations as the process of ‘caging’ and creating a ‘boundedness’ to social relations (Mann 1993: 61, 251, 505, 506). Globalisation, in contrast, is usually considered as a process that ‘uncages’ social relations and breaks through the territorial centrality. Therefore, Mann, himself raises the view that ‘what is generally called globalisation involved the extension of distinct relations of ideological, economic, military, and political power across the world’ (Mann 2013: 2).

Globalisation occurred as an unreversed process and there is ‘more than one process of globalisation’, whereas many scholars see globalisation as a singular process (Mann 2012: 1). These processes can be recognised as being complex forces with various networks of interaction. However, globalisation in itself ‘does not do anything’ and ‘cannot be praised or blamed for the state of human society’ (Mann 2013: 3). Mann examined the ideologies underlying different approaches to globalisation such as hyperglobalisers, materialists, economists and sociologists and insisted that these scholars explain globalisation in term of a range of factors like international trade, the global integration of markets, ‘structural forces, capitalist production, and rationalist knowledge’ and the ‘global network society’ (Mann 2013: 3-8). Yet, in the end, he argues, they are alike in seeing ‘globalisation as a singular process’, which is why they usually argue ‘globalisation is undermining the nation-state’ (Mann 2013: 7). Unlike these ideologies, Mann argued that, depending on the level of interaction networks (local, national, inter-national, or global interaction networks), ‘either that the nation-state and the nation-state system are strengthening or weakening’ (Mann 1997: 472).

In Mann’s view, the relationship between globalisation and nation-states is not one of rivals ‘in a zero-sum game with one undermining the other’. On the contrary, they have gone hand in hand, surged together, indeed they ‘rose together’ (Mann 2013: 10). However, this relationship is a very complex one, ‘sometimes they reinforce each other, sometimes they contradict each other, mostly they are just orthogonal to each other’ (Mann 2013: 11). With a general understanding of a developmental state as the capacity of the state in making and implementing political decisions, globalisation contributes to enhancing these capacities, or in Mann’s words, it strengthens the ‘nation-state cage’

(Mann 2012: 238). Thus, it can be seen that a 'whole range of new functions' are new features of developmental states and this is the key point of Mann's view on the relations between globalisation and nation states.

Weiss largely agrees with Mann's assessment regarding the relationship between globalisation and the nation state. She critiques the argument that as 'the integration of the world economy advances, national governments are becoming less relevant' (Weiss 1998: x). According to Weiss, national governments do lose some power in respect to dimensions of macroeconomic management, social programmes and industrial economic management. These losses are caused by external pressures rather than the strength or weakness of domestic institutions. In the development of globalisation, nation-states retain their importance role as a key political and economic factor in development, and building or augmenting state capacity is a 'the lesson of dynamic integration' (Weiss 1998: 212).

Weiss developed and proved her point of view by analysing the case of the Asian financial crisis of 1997-98. As she noted, the crisis 're-opened the debate about the role of the state in the region's industrialisation' and the main argument about state in Asia was 'whether and in what way the state's transformative capacity is weak or robust - and how it relates to the impact of international markets' (Weiss 1999: 317). Weiss analysed internal or domestic actors and reviewed the common argument that there has been too much state intervention and too little regulation in the Asian Tigers. According to Weiss, the reasons for the Asian crisis relate, in part, to issues of national institutions, which revealed 'weak transformative capacity' and 'weak regulatory control' (Weiss 1999: 322). In addition, three external powerful actors - the US Treasury, Wall Street and the IMF - deepened the Asian crisis through their interventions. Weiss developed two main conclusions from this research, first weak capacity to transform domestic institutions 'can increase vulnerability to international shocks like financial crises'. Second, the Asian crisis showed 'how the "transformative" role of state applied externally can exploit vulnerability and deepen the effect of international shocks' (Weiss 1999: 337). This is to say, international organisations influence national states and sometimes in negative ways.

Weiss argues that 'the juxtaposition of global and national is unfruitful' (Weiss 1999: 60). She does not agree with the claims that globalisation marks 'the death of

sovereignty and national policy autonomy'; globalisation is considered as a process, which influences national state as 'erosion or transformation'; the domestic economic capacities of government are eroded by 'transborder flows/economic integration' and this integration is producing a new kind of (regulatory) state (Weiss 1999: 60). She supports the argument that international cooperation is one part of state's policy autonomy, and that it is, in fact, increasingly a basis of improved capacity (Weiss 1999: 60).

Weiss contends that 'global integration acts as a force that constrains states and reshapes institutions' and this action orients and drives the standardisation of domestic institutions and the dispersal of decision-making power (Weiss 2005: 345). She suggests then that the state growth has, in fact, accompanied, the growth of multinational corporations and institutions, but 'that these contemporary global networks remain intimately entwined with the domestic structures of nation-states' (Weiss 2005: 346). These are key issues for this thesis as I explore the role of both corporations and international organisations on the Vietnamese state.

In short, Weiss offers far-sighted analysis of the relations between globalisation and national states. However, her analysis emphasises the economic aspects more than cultural and political factors. Her argument about the relationship between globalisation and the nation state can be condensed into two main points: 'first, globalisation is not just constraining but also state enabling, thus reinforcing infrastructural power; and second, it is the relationship of entwinement, not power displacement, that conditions the advancement of transnational power networks' (Weiss 2006: 533).

Cox, Mann and Weiss albeit in different ways emphasise the enmeshing of domestic and global actors through globalisation and they highlight the various ways that it transforms without necessarily eroding state power. This focuses on international actors highlights the importance of the case studies selected for this thesis, foreign direct investment, NGOs and IOs. These scholars, like many analysing the relationship between the nation state and globalisation, have focused predominately on advanced countries. This highlights the need to examine the experience of developing countries where the impacts of globalisation may be different and the reciprocal effects between nation-state and global actors may be more clearly revealed. This is because developing countries lack some of the governance capacity

of the more advanced industrial states, which, in turn, may make the former more vulnerable to the impacts of globalisation. At the same time, the dynamism of many developing countries has seen their centrality to globalisation increase. Further, in East and Southeast Asia, countries have continued to view states as key agents in development thus, they have not ceded the state's traditional territory to non-state actors. This is even more the case in a socialist state like Vietnam.

These characteristics in East and Southeast Asia countries featured as strong intervened state have been normally referred to as reciprocal relations between developmental states and globalisation. Accordingly, some scholars have argued that developmental state are now limited and eroded in their power and leading role in development due to the competition from, and influence of, international actors (Cerny 1997; Soederberg, Menz et al. 2005; Fougner 2006). Fougner (2006), for example, asserted that the emergence of 'international competitiveness' has become defined as a governmental problem in both the context of business management and state governance as it bring pressure upon the dominant developmental roles of state authorities and limits autonomous national economies. However, as outlined earlier, many scholars have argued that there is a strategic relationship between developmental states and globalisation in which they evolved together and global factors fostered some state's developmental functions (O Riain 2000; Wang 2002; Shin 2005; Beeson 2006; Gopinathan 2007). For example, Shin (2005) is convinced that state still has important roles in the context of globalisation and argued that 'the state should maintain its functions as a mediator between homogenizing forces of globalisation and unique characteristics of local economies' (Shin 2005: 380). Beeson (2006) sees that in the context of rapidly spreading globalisation, the international financial markets have shown to be unstable and need proactive involvement of government in managing them. He asserted that in the process of economic integration, 'an effective, relatively independent and non-corrupt developmental state is still a potentially critical part of economic progress and mechanism for mediating global forces' (Beeson 2006: 349-50). Thus, there has been a controversy around the compatibility between the developmental state and globalisation.

For developing countries, the characteristics of a developmental state are often not fully or clearly expressed. Further, the effects of globalisation in general, and of international

factors in particular, are significant contributors to their developmental capacities. The institutional capacity of the state plays important role for development trajectories and it has been enhanced by interacting with global capitalism. For example, in a work by Walter and Zhang (2012), eight dynamic economic countries (China, Japan, South Korea, Taiwan, Philippines, Thailand, Malaysia, and Indonesia) were chosen to measure the institutional domain of the state in global capitalism by examining three pillars – the business system, the financial system and the labour market. The authors showed all pillars, though influenced from global factors, were still maintained by the state, but that there has been a 'growing heterogeneity of internal institutional practices in East Asia' (Walter and Zhang 2012: 271). In contrast Nölke argues that the features of the developmental state may change in the context of globalisation because of 'the close collaboration between emerging market MNCs and their home governments' and 'that may be considered a new form of state capitalism' (Nölke 2014: 196). In these type of states: 'it is difficult to imagine a state that still has the capacity for coherent, centrally directed industrial planning during the current phase of global liberal capitalism' (Nölke 2014: 197). Vietnam is a good case study to evaluate such contesting claims and the central focus of this thesis is to contribute to clarifying the influences and contributions of international actors on national development strategies, by examining any changes in strategic thinking by Vietnamese policy makers and leaders.

1.3.2. The Developmental State

The concept of the developmental state was first posited by Chalmers Johnson in 1982 through his investigation of the models behind Japan's successful industrialisation. Unlike the neoclassical state that supposedly automatically adjusts to overcome market failures and adjusts for social justice, developmental states take the initiative not just to overcome market failures, but to focus on tectonic shifts in the market and to utilise the both the economic and political roles of the state for developmental purposes (Johnson 1982; Woo-Cumings 1999; Chang 2003; 2010). Specifically, the state focuses on the design of specific guidelines, directions and policies to create priority mechanisms in key productive areas. For example, Japan concentrated on the automotive industry in the 1970s, Malaysia focused on electronics and India now focuses on the software industry. The aim is to use industrial-commercial policies to create an impetus for growth.

When considering the economic development of Japan between 1925 and 1975, Johnson (1982) highlighted the important role of the Japanese Government, in particular the Ministry of International Trade and Industry (MITI), in ensuring a very high growth rate after World War II. Prior to Johnson, the prominent approaches to state development studies during the Cold War period was to differentiate between the 'state-controlled' approach of the Soviet Union and socialist countries (emphasising centralised planning) and capitalist or 'regulatory states' like the United Kingdom and the United States. However, Johnson (1982) pointed out that Japan, though fundamentally following Western model of capitalism and democracy, was nevertheless different. The state was not a marshal, as in the socialist countries, but it did not play the 'passive' role of capitalist states, rather it had a much larger role to play, particularly in orienting and concentrating resources on key economic areas over a long period. He used the term 'developmental state' to refer to that difference. Thus, the developmental state is a capitalist state that has some similarities with a socialist state in terms of development direction over the economy but is more focused on using market mechanisms.

In recent decades, most countries have accepted private ownership of property and a competitive market economy as the main way to organise economic activity. But the debate about the relationship between the role of the state and the market in politics and economics continues. The main question is whether the state should actively lead and create, or should it prioritise market-driven signals (supply-demand), and therefore only function as a regulatory agency. The success of the Japanese state as well as the new industrialising countries (NICs) of East Asia, especially in the 1980s and 1990s, has led a range of scholars to suggest that this model warrants further attention. The developmental state model offers more possibilities for thinking about development trajectories than the current US-European free-market model for developing countries. Many scholars believe that the development state model is actually better than regulatory state and different scholars specify particular conditions as the key to successful developmental states (Johnson 1982; Woo-Cumings 1999; Chang 2003; Helleiner and Pickel 2005; Chang 2010).

It is not easy to define what a developmental state is nor its characteristics, which could be used as a common formula against which to measure historical and contemporary

states. Indeed, each successful developmental state has featured its own particular characteristics. Johnson (1982), albeit using the term 'Japanese model', warned of overly generalising based solely on Japanese research. In other words, the idea that the way in which the Japanese Government oriented and guided economic development is a 'model' needs to be used with caution as the generalisability of the approach is low and research of other similar cases in East Asia is required. In the case of South Korea, Bagchi (2003) outlines that the developmental state there featured: peasant land reform, a strong sense of nationalism, an export drive, a key role for industrial conglomerates (*chaebol*), expenditures on research and development (R&D) and an effective collaboration between government and business (Bagchi 2003: Chapter four).

What is equally important is that, as Bagchi (2000; 2003) demonstrated, the developmental state has existed for a long time and in many different countries. Developmental states were present in earlier times in a number of today's developed countries, such as the Netherlands, Germany, the UK and the US. He also included the Soviet Union and China prior to the 1980s in his list of developmental state countries. Ha-Joon Chang (2003) equally finds this historical pattern. He argues that using the most common definition of a developmental state, it is possible to see three types of developmental state in different socio-political context and development conditions: East Asia (and France), Scandinavia and USA.

East Asia is considered the 'classic' model, especially in Japan from the 1950s to 1980s. However, across East Asia, there are also differences. South Korea, for example, in the 1960s to 1980s demonstrated initiatives to lead development through breakthrough policies (by selecting spearhead industries), operating a powerful super coordinating agency (the Economic Planning Commission) and state ownership of the entire banking sector. Japan does not have these characteristics. Compared with Japan and South Korea, Taiwan (China) did not have such a proactive and strong orientation, partly because the private sector in Taiwan is small and there are no large private companies as in Japan and South Korea. The active leadership in Taiwan was expressed primarily through the promotion of R&D and state owned enterprises (SOEs). Singapore is also a distinct developmental state model, combining both free trade and investment with the large state-owned sector. Chang (2003) argues that France used a similar development strategy to East Asia, the government through the Planning Commission (*Commissariat*

Général du plan) actively oriented and led investments and the country used the power of state-owned enterprises as a leading sector.

The developmental state models in Scandinavia (except Finland), until the 1970s, all had developmental state characteristics, in particular they had active industrial development policies, though not as broad as East Asian ones. The Swedish state focused on such industries as metallurgy (mid-18th century), railways (1850), hydroelectric power (1890), etc. through cooperation with the private sector. In the early years of the twentieth century, the Swedish government also adopted policies to protect heavy industries (Chang 2003: 39). The Danish government has intervened and prioritised policies for the development of agricultural exports, and this was the main driver of growth in the 1930s. Thus, Scandinavian countries have invested in development, underpinning selected and prioritised industries. Major research and development institutions and centres in these countries remain largely state-owned. Chang (2003) also highlights the role of welfare policies in these societies and he argues they contribute to economic and structural change, thereby reducing the political pressure on state-led economic restructuring. Thus, the Scandinavian countries show that it is not necessary to overemphasise the role of state in techno-industrial development as is the case in East Asia, developmentalism can be done through a variety of tools, such as welfare, education, etc., depending on the socio-political context and development conditions.

The US was also one source of developmental state ideas. One of the core ideas of the developmental state was the protection of infant industries and strong protectionist trade policy (Chang 2003: 75; Weiss 2004: 248). Protection was a governmental policy in order to promote investment in a range of sector and the infrastructure to support it. In addition, the US also actively prioritises R&D. Even after World War II, when it held dominant positions and began calling for trade and investment liberalisation, the US retained the characteristics of the developmental state in a range of ways. For example, it created a network among experts in and outside the state to apply scientific and technological achievements to the economy in the fastest and most profitable way (Chang 2003: 86). Block and Keller (2011) defined this type of state as a developmental network state that differ from the developmental bureaucratic state in East Asian countries. Of course, in the US there cannot be a coordinating ministry for investment,

which is common in East Asian developmental states. The US government's orientations are often hidden under R&D funding schemes in national defence or public health, with the results being commercialised and helping the US gain or retain market dominance globally.

Thus, it is clear that the developmental state does involve a range of theories and practices and has been practiced in a range of successful industrialised states. It is a state governance model in which the state develops policies oriented to development, that is to creating the environment and conditions for all sectors of the economy and society to take full advantage of their assets. It involves a strong degree of state surveillance to detect possible imbalances and challenges, ensuring not just macroeconomic stability but broader social stability too. There are some similar characteristics among developmental states but many differences too as a key issue is adaptability to different circumstances and working with the strengths of the particular state. Further, as noted earlier, the ideational aspects of developmental states have not received the attention of its other aspects, in this case what following Thurbon (2016) is termed the developmental mindset.

1.3.3. A 'Developmental Mindset'

It cannot be denied that there are challenges in distinguishing developmental states from other state types in leading national development.³ However, in addition to the different characteristics and forms of intervention and orientation different states have in leading the course of national economic development, Thurbon (2016) argues that one of the most important elements that distinguishes developmental state from other types of state is a 'developmental mindset'. The developmental mindset in Thurbon's view is 'a set of ideas about the primary purpose of economic activity, the central goals of the state, and the appropriate role of the state in achieving these goals' (Thurbon 2016: 16). According to the author, most developmental state analysis, despite Johnson's original conceptualisation, has focused on institutions and policies rather than ideational aspects. Giving central attention and responsibility to institutional or policy change, in her view,

³ Other varieties of state discussed in the literature include: competitive states, neoliberal states, welfare states and democratic states. Some of this fits with the varieties of capitalism literature.

is ‘problematic’, because of it leads erroneously implying that institutional and policy change can be clearly observed and measured by specific evidence and data (Thurbon 2016: 18). However, the rootedness of such change is fundamentally influenced by the mindset of the policymaking elite. Therefore, Thurbon asserted that ‘mindset informs the institutions and policies’ and thus allows for ‘developmental state evolution’ and thus she concludes that ideas need to be returned ‘to the center of developmental state theorising’ (Thurbon 2016: 17).

Thurbon explores what the central element of developmental mindset are and finds that it can be condensed to a focus on ‘developmentalism’ as the central element of developmental state (Thurbon 2016: 24). Taking the case of South Korea, Thurbon convincingly argues that the state’s financial activism embodies the key transformation of the developmental mindset after the Asian financial crisis. Korea was a typical developmental state in the 1960s and 1970s and undoubtable model for the concept. After the Asian financial crisis, some authors argued that Korea transformed into a ‘neoliberal or regulatory state’ because of the liberalisation and the other reforms that followed during and after this crisis. However, by investigating and demonstrating the continuing, through transformed, central role of the state in the Korean financial system, Thurbon concludes that Korean state did not transform into neoliberal or regulatory state. What was key in this was that the developmental mindset of policy makers and ‘the role of the president in shaping the direction of developmental state evolution’ (Thurbon 2016: 91).

In short, Thurbon’s central argument is that developmentalism has a distinguishing ideational element (see table below) and her intention is to ‘highlight the significance of an often-overlooked aspect of developmentalism - the *mindset* of the governing elite’ (Thurbon 2016: 17). Her arguments are based on detailed investigations into the case of South Korea starting from 1960s and 1970s, which featured the influential developmental mindset of President Park Chung Hee. In the post-Asian financial crisis period, Thurbon shows how developmentally minded Korean policymakers helped solve the financial crisis. As a result, Thurbon has made a notable contribution to developmental state theorising by creating a framework and methodological approach to the study of the developmental state through ‘a mindset-strategy framework’ (Thurbon 2016: 153).

Table 1.1: Distinguishing developmental states from other state types: the role of the developmental mindset

DEVELOPMENTAL STATES	NON-DEVELOPMENTAL STATES	NEOLIBERAL STATES
IDEATIONAL LEVEL	IDEATIONAL LEVEL	IDEATIONAL LEVEL
High level of consensus amongst policymaking elite around primacy of goal of national techno-industrial catch-up and export competitiveness AND the desirability of an active role for state in facilitating the creation, commercialisation, production & export of technologies/products by local firms in strategic industries. Long-term competitiveness concerns drive policy interventions in strategic industries.	Low level of consensus amongst economic policymaking elite concerning state's primary economic goals and the role state should play in governing the industrial economy. Battles may exist between developmentally and neo-liberally oriented actors as well as political pragmatists and opportunists. Short-term political considerations often drive industry policy interventions.	High degree of consensus amongst economic policymaking elite around idea of the allocative efficiency of the free market-targeted industry policy assumed to distort the allocative efficiency of the market and create perverse outcomes

Source: Thurbon (2016: 20)

Thurbon's mindset-strategy framework is clearly relevant to analysing the case of Vietnam. Vietnam implemented reform in 1986 to transform from a centrally planned economy to a socialist-oriented market economy. In this transformation, the Vietnamese party-state has maintained a notable role for a developmentalist-oriented state to guide and mind reform (Dao and Vu 2008; Dang Phong 2012). However, the extent to which Vietnam is a developmental state is not agreed amongst scholars, different scholars have brought different aspects of developmental states in Vietnam, thus examining the developmental mindset can shed new light on this debate. This debate is analysed in more detail in chapter two of the thesis.

In examining the developmental mindset, however, this thesis examines not just the techno-industrial policy but also socio-economic policy. This follows Chang's (2003) argument outlined earlier about the central role of welfare policies in Scandinavian societies in contributing to economic and social change. Thus, the Scandinavian countries show that it is not necessary to overemphasise the role of state in techno-industrial development as is the case in East Asia, developmentalism can be done through a variety of tools, such as welfare, education, etc., depending on the socio-

political context and development conditions. Vietnam's developmental mindset has always had a strong social policy element and thus the approach adopted on the developmental mindset here is not just about economic, financial and industrial policy but rather a broader conception of a socio-economic developmental mindset.

1.4. Methodology

The thesis uses a mixed methods approach, which includes document analysis, historical analysis, statistical analysis, case studies, contextual analysis, interviews and comparisons. To analyse and describe the context and background of Vietnam's state structure and the activities of global actors in Vietnam, I used not only secondary sources but also primary sources such as annual reports and documents of Vietnam's Government (including Ministries and Local Government) and the statistics, reports, project documents and policy documents of IOs and INGOs in Vietnam.

Linking Cox's (1986) levels of analysis of social forces, states and world orders to the broad concept of the developmental mindset examined here, three case studies were chosen: first the role of IOs in Vietnam, which links to world orders. Second, the impact of FDI is examined, as it is a key case study of developmental state trajectories. Third, the role of INGOs are examined as they show the role of social forces but, particularly in the case of Vietnam, this requires exploring their relationship to the state and to world orders as INGOs mostly come from Western nations and are controlled by the Vietnamese state. Furthermore, these case studies link to the literature on new forms of developmental state as well as the literature on the institutional capacity of the state for developing countries. These factors are significant in their development strategies. The institutional capacity of the state plays important role for development trajectories and the question is whether it has been enhanced or eroded by interacting with global capitalism.

In all three case studies, the goal was to examine the different perceptions and understandings of these actors involved with these groups in order to explore the developmental mindset of the groups at work in Vietnam. Thus, interviews were conducted with a total of 21 people in the period March 2013 - June 2013 - see appendix 1 for a full list of interviewees, dates and locations, and appendix 2 for a list of the interview questions. The interviews were based on open, rather than closed

questions. They were then transcribed and translated into English where necessary. The interviews were then analysed, using a simple content analysis approach, against the main themes relevant to the particular case study or topic.

For FDI, the key questions focussed on the perceptions of strategic planning and activities in luring FDI and also challenges to the Vietnamese state in managing foreign economic actors and FDI in particular. Thus, the aim was to examine the broad developmental mindset around FDI of a range of actors. While examining IOs, the World Bank in particular, the focus was on the Bank's mindset and whether this influenced ideology and institutions in Vietnam. For international NGOs in Vietnam, the concern was to explore how their projects and programmes were received and understood and how this influenced the socioeconomic developmental mindset of Vietnamese authorities. Thus, the overall focus was on the developmental mindset of the different actors. The interview material was used to complement analysis of existing secondary sources and policy documents in each area to form each case study.

The case studies also show the impact of globalisation on the three different levels of the country, namely political, economic and civil society. IOs impact on all three sectors: economic, political and, to an extent, civil society. FDI's main impacts are on the economy but also on political society and INGOs main impacts are on civil society but also on political society.

With a view to investigating the activities and impacts of FDI flows, the case study is of Vinh Phuc province. It is an emergent area of foreign investment attraction in Vietnam. Vinh Phuc's starting point was agriculture but, in recent years, the province has changed its economic structure toward industrial priorities and, as such, administrative reforms to have taken place attract foreign investment. A series of big industrial zones have been rising in parallel with the dramatically increasing provincial Gross Domestic Product (GDP). However, next to the province's industrial and FDI achievements, it is coping with several insoluble problems of governance. These include: finding effective ways to manage industrial zones; supporting local enterprises against the competitiveness of the foreign ones; providing employment for farmers whose lands have been lost to the industrial zones; controlling the villages surrounding the industrial zones where disputes and lawsuits related to land requisition arise; and managing environmental pollution compensation and other problems. Therefore, understanding local government's

developmental mindset is important to interpreting how and why they might address these issues.

In Vinh Phuc, I interviewed three foreign-funded enterprise owners and six leaders from the Industrial Management Board and local government (Appendix 1). The interviews with foreign supported-business persons were about their perceptions of the developmental mindset of local government related to their company operations in terms of labour recruitment and management, use of land, and their overall priorities. The contents of interviews with local leaders were about their perceptions of strategic thinking and activities in luring FDI and the difficulties encountered in managing the sector of foreign investment and in governing inhabitants after foreign investment and industrial development.

In terms of the activities of IOs in Vietnam, the thesis starts by providing an overview of the IOs that are most active in the country. This highlights the role of the United Nations and the WTO in changing Vietnam's state mindset and policies. However, arguably the most dominant IO in Vietnam has been the World Bank. I investigate the Bank's policies in recent years regarding aspects of co-ordination with the Vietnamese state and perceptions of its mindset by actors involved with its work. The Bank implements activities through projects and programmes and, to some extent, the investigation of these projects reveals the influence of the World Bank on aspects of Vietnam national state. Specifically, I examine three main arenas of Bank activity: Country Assistance or Partnership Strategies; leading donor coordination; and the Bank's activities in advice and consultation. Through these investigations, I evaluate the Bank's mindset about Vietnamese development and the perceptions of its influence and role.

I interviewed three leaders of the World Bank (Appendix 1), with the interview questions focusing mainly on the impact of the interviewees' role and position in Vietnam, the changes in their policies in different periods, their coordination with Vietnamese government and the achievements of their targets. In addition, I interviewed some prominent Vietnamese scholars about their perceptions of the Bank to have comparative views. From these, I sought to analyse the mindset of the Bank and the perception of that mindset in Vietnam.

Looking at the activities of international NGOs in Vietnam, these were chosen in

the context of the broader picture regarding INGOs in Vietnam and their growth. The two organisations selected as case studies were recommended by the head of the Vietnamese government organisation that manages relations with international NGOs. He said that Care International Vietnam and World Vision International Vietnam are the biggest international NGOs in the country working in poverty reduction, and care for children. Thus, it is clear from the outset that Vietnamese policymakers have a positive mindset about a range of INGOs. Because their basic activities are related to technical assistance, health care, support for vulnerable groups and poor people, environmental protection, human rights, rights to access information, and transparency as well as the accountability of government, these organisations have had close access to both the people and the government and they have gained a certain convincing prestige. Particularly, with free of charge support and expertise, they have achieved a significant role and position in comparison with the management of state in their fields of operations. Thus, this thesis investigates Care and World Vision's work in Vietnam and explores both their impacts on the socioeconomic developmental mindset in Vietnam and the perceptions of their impacts. The leaders of Care and World Vision were interviewed (Appendix 1), and here the focus was about their views on key socioeconomic developmental issues in Vietnam, Vietnamese government policies; the goals of their projects and programs; and the outcomes of them.

In the Vietnamese political system, the Central Party Board of Consultants operates as a council where experts on the economic, political and social fields gather. It can be called a 'think tank'. The Board is the advisory body for the Central Communist Party on issues of political theory as a basis for planning, improving, developing guidelines and policies of the Party's development orientation. The Board has played a pivotal role in advising party's leaders and is an attractive place for gathering and organising experts to study problems of political theory directly related to the developmental planning guidelines and policy decisions of the Party and State. Hence, interviews with the Council's experts were very meaningful and useful in their assessment of the historical contributions and potential roles of INGOs in co-ordinating with the role of Vietnamese party-state in socioeconomic development and transformation.

1.5. Chapter Outline

In order to achieve the purposes of the thesis - analysing the influences of foreign economic actors, international organisations and international non-governmental organisations on the Vietnamese development state mindset and policy - excluding this introduction chapter and the conclusion chapter (chapter 7), the thesis is structured around five main chapters.

Chapter 2 frames the thesis by providing a historical overview of the political changes in Vietnam before and after the process of liberalisation started in 1986. Chapter 3 is the first case study chapter. It is on FDI and it first reviews the literature and provides an overview of FDI and its contribution to Vietnamese economic growth. Continuing from that, Chapter 3 includes the case study of Vinh Phuc province to show how the fast economic growth and challenges facing local government arise, in part, from FDI. The chapter then analyses the same issues and activities, but at the national level. The developmental mindset of these actors around FDI is thus revealed. Chapters 4 and 5 focus on the relationships between IOs and Vietnam, starting with a brief introduction to IOs in Vietnam and an overview of the relationship between the Vietnamese state and the UN and the WTO. An analysis of the influence of these organisations on the developmental mindset of the Vietnamese state is provided. In addition, an in-depth investigation of the case of the World Bank in Vietnam is undertaken in Chapter 5. It critically evaluates evidence of how IOs can influence the development mindset of policymakers in Vietnam. Chapter 6 explores the perceptions of the impacts of the blossoming of international NGOs in Vietnam, focusing on two major aid organisations. Through an overview of the literature and studying the operations of international NGOs in Vietnam, along with two specific case studies - CARE International and World Vision International in Vietnam - the chapter aims to identify how they have come to be viewed as working hand-in-hand with Vietnamese state in solving poverty as well as promoting economic development. The aim is to see how if this interaction has influenced the developmental mindset in the country. The final chapter offers concluding remarks and consideration of the contributions of the thesis and the possibilities for further research.

Thus, before investigating the three main international actors and their influences on the Vietnamese developmental state mindset and policy, the next chapter provides an overview of the Vietnamese state's historical and political evolution.

Chapter Two

The Historical and Political Evolution of the Vietnamese State

This chapter provides an historical overview of the changes in Vietnam focusing on the period after renovation or *Doi Moi*, though the chapter starts with a brief analysis of the pre-*Doi Moi* situation as vital context. The objective of this chapter is to illustrate the socio-political context and developmental conditions for Vietnamese state transformation. By analysing the political regime change resulting from the economic and social change in Vietnam, the chapter sets the context for the debate on how much Vietnamese state transformation has been influenced by developmental state ideas and it what key issues have influenced it's directions.

2.1. The Political Historical Context Before 1986

In 1945, Vietnam gained its independence from the French colonists. Ho Chi Minh, a key leader, read the Declaration of Independence on 2 September 1945. According to Uncle Ho in the Declaration of Independence:

We, the Provisional Government of the Democratic Republic of Vietnam, solemnly declare to the world that Vietnam has the right to be a free and independent country, and in fact, it is so already. The entire Vietnamese are determined to contribute all their physical and forces, lives and prosperity in order to safeguard our independence and freedom (cited in Hue Department of Culture Sport and Tourism 2012: 58).

However, the French colonists returned to try to take control of Vietnam. This resulted in a war of independence, which lasted initially until 1954. With the famous Dien Bien Phu victory, the North gained its liberty moved towards to a socialist political model. In the South, a puppet regime of the US was established. Thus, the battle for independence continued until 30 April 1975 when Vietnam was liberated and reunited.

After 30 April 1975, Vietnam was sovereign. Nevertheless, two governments existed: the Government of the Democratic Republic of Vietnam and the provisional

government of Southern Vietnam. From 15 to 21 November 1975, in Sai Gon-Gia Dinh (which was renamed Ho Chi Minh City a few months later), a Political Agreement Conference was organised to discuss uniting Vietnam's governments. A decision was made to elect a Congress nationwide although the Communist Party of Vietnam (CPV) would retain overarching power (see below).

Even with the liberation of Vietnam, the country was still faced with many difficulties and challenges: in particular recovering from the heavy war damage and building a modern economy. The extent of the damage was extraordinary:

7,850,000 tons of bombs and shells were dropped onto its land (three times as many as those used in World War II, equal to 640 nuclear bombs of the same kind as those dropped by the U.S. on Hiroshima, Japan); leaving more than 20 million craters, millions of unexploded bombs and landmines under the ground; 451,260 tons of toxic chemicals were sprayed on the Southern forests, seriously destroying the Vietnamese ecology (50% of the 10-million-hectare forest was carpet-bombed by B52s) and people (2 million Vietnamese people intoxicated and 50,000 children deformed, the consequences are still felt today and will be so for many years to come); 9,000 out of 15,000 villages in South Vietnam were ruined. In the North, 4,000 out of 5,788 communes were stricken. All power plants and 5 million square meters of housing (excluding those in the countryside) were seriously destroyed. The entire railway network, 100% of the bridges, the whole system of ports, sea-routes, river-ways and warehouses were raided. American planes dropped bombs and fired rockets, causing damage to 1,600 irrigation constructions (including dykes), most of the farms and hundreds of thousands of hectares of fields and gardens, killing 40,000 buffaloes and oxen (the main traction in agriculture), destroying 3,000 schools, 350 hospitals (VietnamNet 2010).

In 1975, Vietnam was still a poor, backward agricultural country, with 80 per cent of the population and 70 per cent of the labour force living in rural areas and subsisting on agriculture (Vietnam Government Portal 2013). In the North, after 21 years of socialist construction, the economy was still based on small-scale production and there was poor technical infrastructure, weak management and inefficient models of administrative subsidies. The South, having just escaped from the yoke of neo-colonialism, was in the

same situation, having been dependent on foreign capital, technology, material, and merchandise. Further, between May 1975 and 1989, Viet Nam had to fight two border wars, one in the southwest (Vietnamese soldiers went to Cambodia to fight against the Khmer Rouge regime) and one in the north of the country (the border war of Vietnam-China 1979). These conflicts placed further strains on the country.

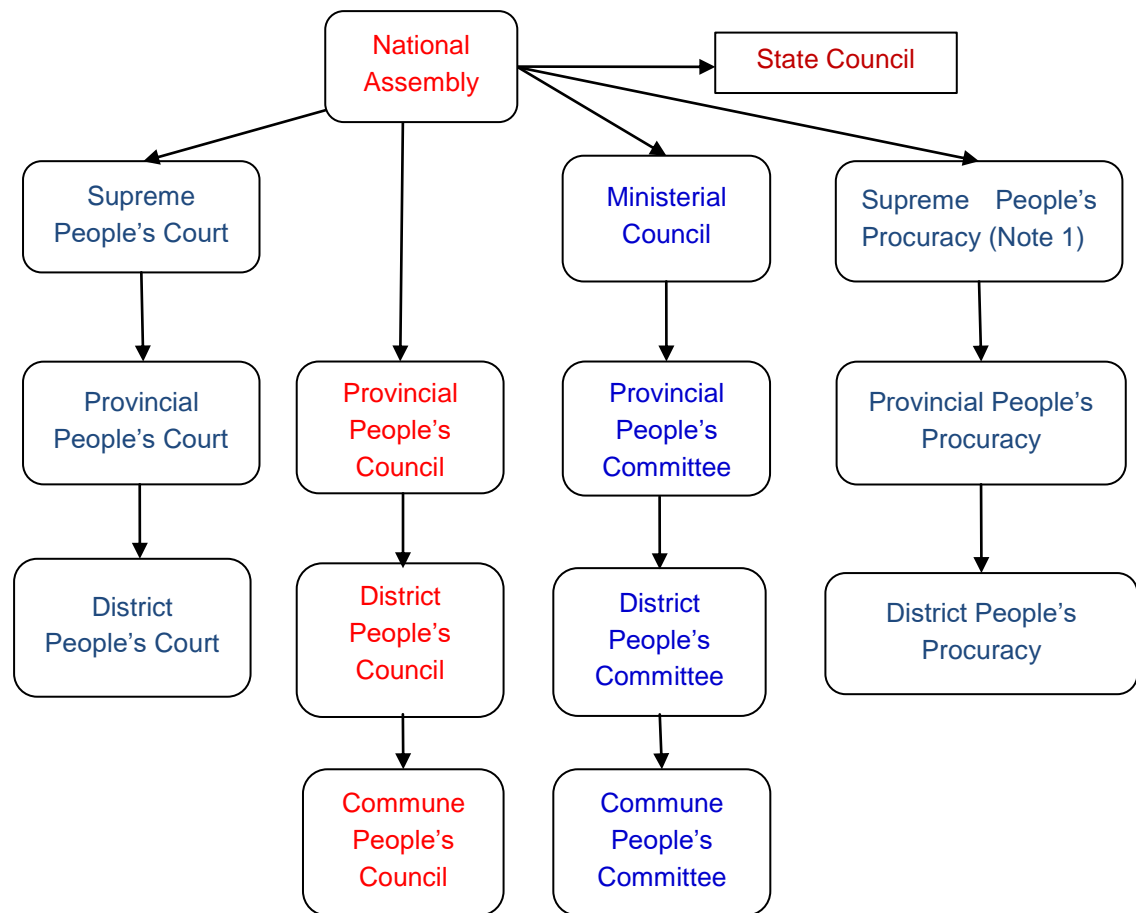
Vietnam's political-economic regime before Doi Moi (1986)

On 25 April 1976, the Communist Party organised a general election nationwide to elect a National Assembly of United Vietnam. From 24 June to 3 July 1976, the National Assembly held the first meeting in Hanoi to discuss and approve a political report and make important resolutions about the name of the country, the national flag and the creation of a new constitution. A constitutional committee for the nation was set up. From 14 to 20 December 1976, the Party's Fourth Congress meeting – the Congress Meeting of Liberation and National Unity – not surprisingly determined that Vietnam would have a socialist orientation. Many major issues were discussed and approved, including the socialist policies for the new period and the responsibilities and objectives for the next five year plan (1976-1980) (Dao and Vu 2008). In addition, Party leadership and capacity building was emphasised. The Vietnam Labour Party was renamed as Communist Party of Vietnam (CPV) and it remains as the constitutionally-guaranteed supreme political entity (Dang Phong 2012; Marr 2013). The resolutions of this Party Congress set directions for the next decade.

In 1980, the National Assembly decided to review the constitutional framework and state apparatus (National Assembly 1980). Between 1945 and 2017, Vietnam experienced four constitutions, 1946, 1959, 1980 and 1992. According to the 1980 Constitution, the state apparatus was designed as a socialist state like the Union of Soviet Socialist Republics (USSR), many Eastern European states and the Chinese state. By contrast, however, the role of the CPV - which parallels the state structure - is only mentioned in one clause even though this clause recognises the Party's pre-eminent position.⁴ In that 1980 Constitution socialist principles were applied thoroughly. Diagram 1 shows the key elements of the structure.

⁴ The state structure in this constitution was not very different in its design from the 1959 constitution, but had greater changes in comparison with the 1946 constitution. See Vu (2010: 198-207).

Diagram 1. 1980 Vietnam's State Apparatus



Note: The Supreme People's Procuracy of Vietnam is responsible for prosecutions and legal matters. It functions like the prosecutor's office or attorney general's office in Western countries. For more information see (The People's Procuracy of Vietnam 2011)

The 1980 Constitution defined the nature of the state as a proletarian dictatorship and the historical mission of the state as implementing the ownership right of the people, encouraging and mobilising people towards successful socialist building, and moving forwards to a communist orientation (Article 2). According to this Constitution, the political regime of Vietnam is communist. While State power is formally concentrated in the National Assembly, in practice, it is controlled by the Party. The National Assembly 'is the highest organ of state power' (Article 82). The State Council 'is the highest body in permanent operation of the National Assembly' and it 'is the collective chairman of the Socialist Republic of Vietnam' (Article 98). The Ministerial Council⁵ 'is the Government of Vietnam, is the executive body of the National Assembly' (Article 104).

⁵ The original name for the government of Vietnam in the 1980 constitution

Beyond all the regulations, the CPV is the highest body, having the real power to lead the state and society. For the first time in Vietnam's constitutional history, this was included in Article 4 of the Constitution, indicating official recognition of the roles of the CPV. In institutionalising the leadership role of the CPV, all state agencies, social organisations and sectors at all levels were required to legally comply with the Party's leadership. Therefore, this institutionalisation strengthened the leadership role of the Party in both state and society (Nguyen 2001; 2005; Marr 2004).

An important part of the 1980 Constitution was the regulation of the economic regime. The 1980 Constitution defined that the state guided production relations and economic sectors, and it established and consolidated socialist ownership of production in order to implement a national economy with two elements: a state-owned element, as the whole people's ownership, and a cooperative element. Being built as a central subsidiary regime, many regulations were dogmatic and not effective when adjusted to social relations; for example, the regulation that the state had the right to control foreign trade and other external economic relations (Article 21); the regulation of nationalisation of the feudal and capital economic sectors without compensation (Article 25); the regulation about improving socialism in the economic sectors in both urban and rural areas (Article 26). These regulations produced negative reactions and resistance in practice, and were one of reasons that prompted *Doi Moi* in 1986.

2.2. Opening up: 1986

The 1986 VI Congress Party Session is regarded by both Vietnamese and international observers as the beginning of renovation or *Doi Moi*. In fact, in the years before, there were various challenges and creative breakthroughs that have been called 'fence breaking' (Dao and Vu 2008). 'Fence breaking' is a term to describe the way many Vietnamese avoided the barriers of backward economic regulations to solve difficulties they faced and which paved the way for formal change. The 'fences' were regimes and principles from the centrally planned economic model from the USSR and applied in socialist countries including Vietnam.

Fence breaking spread dramatically in the South of Vietnam. After it was liberated, the economic model of the North was applied nationwide, but its circumstances were very

different. The economy of the South had a series of features that could not be simply adapted to the Northern model. Many issues could not be solved by orders or someone's decision. Nevertheless, the model was applied and the consequent economic downturn in 1978-1979 was difficult to explain without recognising the economic nature and impuissance of the old methods (Dang Phong 2012: 8). The combination of fence breaking and the desire to seek renovation by the Party produced, from the early 1980s, a new period of seeking for solutions (Vu 2014: 245-246).

Many diversified ways of demolishing the fences happened in different localities, resulting in diversified results and sequences of reactions, which, in turn, led to the adjustment of policies. A typical example of fence breaking can be found in examples such as when a fixed rate was paid in Vinh Phuc and Song Hau plantations for harvests rather than simply expecting farmers to contribute a specific quantity of their crop to the state (Dang Phong 2012). Similar systems, though on a smaller scale, happened in Hai Phong. These can be seen as the early examples of *Doi Moi*, which Gainsborough (2003: 109) called system of 'spontaneous change and reform.'

It is evident that the breaking of fences showed that the fences were problematic. Further, the methods of breaking them led to both positive and unavoidable negative consequences, which in turn, reduced the effectiveness of the economic rules and increased spontaneity and arbitrary habits. In some cases, seeking solutions was right, but after that, when policies were changed, the habit of spontaneity did lead to some negative impacts, even illegal actions. For example, Kim Ngoc, a Party Secretary in Vinh Phuc province, was reprimanded and lost all his power and his position after leading the fence breaking movement (Dang Phong 2012).

The reality inside the country and the complex international socialist situation - the USSR's transition to a market economy which turned into a crisis, the collapse of communism in Eastern Europe and the success of reform in China from 1978 – were further impulses for the VCP to start renovation. There were many meetings of the Politburo and Party Central Committee to discuss and approve the Political Report of the VI Congress Session (called the Congress of renovation). In the opening speech of the VI Congress Session (15 December 1986), Nguyen Van Linh, the General Secretary of the Party, emphasised that:

Only by the renovation, can we overview the reality, uphold the new factors and correct the mistakes... To reach these targets, we must struggle against backward self-opinion, dogmatism, hastiness and bad habits. This is a revolution in all the fields and in each individual... In order to make changes, this VI Congress Session marks the renovation of our Party in its thinking, characteristics, organisation and personnel. This is an urgent request of the nation. This is also a revolutionary characteristic, especially a characteristic of the socialist revolution, the basic nature of Marxism-Leninism, the necessary predisposition of the time (Dao and Vu 2008: 19).

During the VI Congress Session:

the economic thinking was renovated: recognising a multi-sector economy; abolishing the economic management regime based on central plans and subsidy, constructing a new mechanism compatible with the objective rules and the development level of the economy; fully and correctly applying the commodity-currency relationship; production must be connected with the market and must protect the legitimate interests of laborers (VietnamNet 2010).

Thus, *Doi Moi* in Vietnam was also associated with the renovation of the VCP too. From this time on, new guidelines and policies were implemented for renovation. In terms of the state apparatus, it was changed through a new Constitution in 1992 (National Assembly 1992).

2.2.1. Vietnam's Political-Economic Regime According to 1992 Constitution

The 1992 Constitution has regulated the Vietnamese state regime until the time of writing. It reorganised the Vietnamese state structure based on the spirit of renovation. The principles of socialist centralism were reconsidered and applied more appropriately (Nguyen 2001; 2006). However, the 1992 Constitution continued to affirm that state power was united in the Assembly, not decentralised. Nevertheless, it is allocated duties among state agencies to implement legislative, executive and judicial power and did not focus only on the Assembly. The executive branch – the Government of Vietnam (GoV)- was defined as the highest administrative agency and was given more

independent power from the Assembly (Article 109). The state apparatus was reorganised to ensure both united power and coherent allocation of responsibilities.

Diagram 2. 1992 Vietnam's State Apparatus

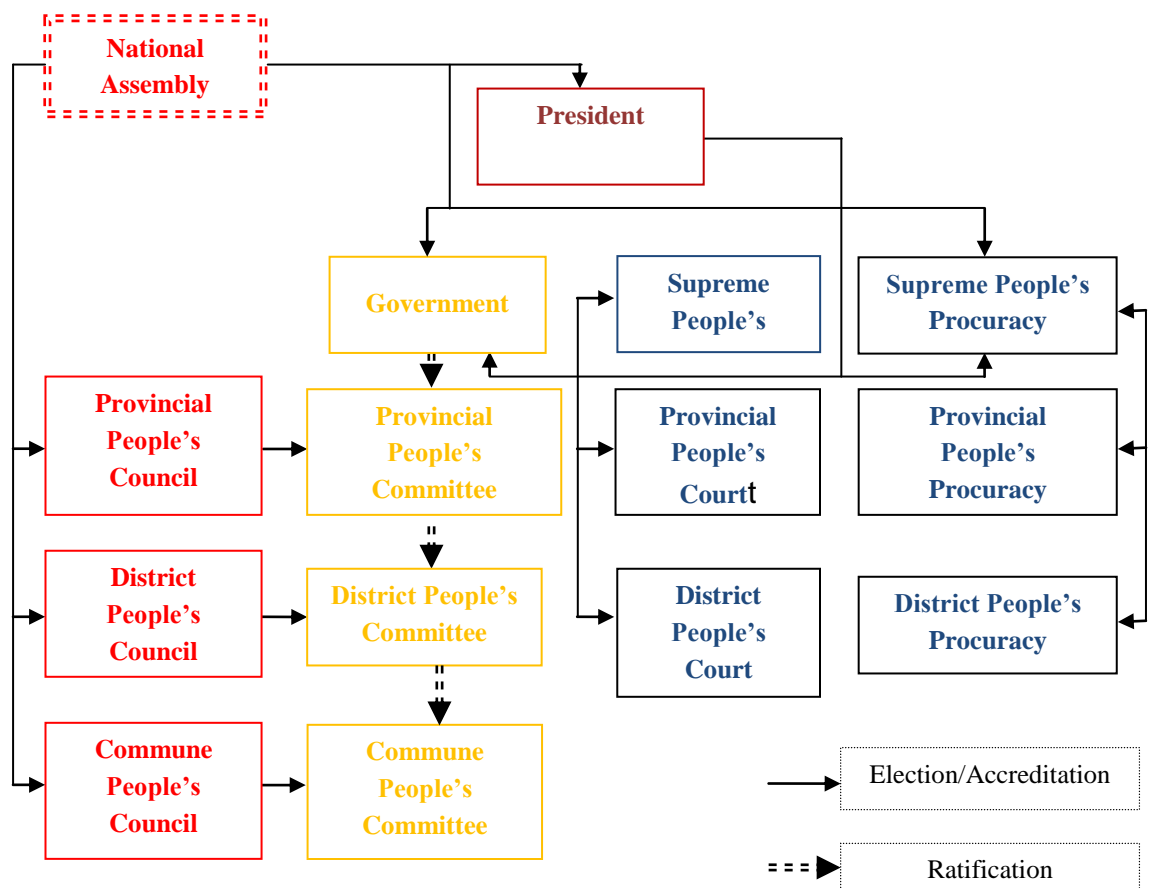


Diagram 2 shows two key changes in the structure of state apparatus between the 1980 Constitution and the 1992 Constitution compared.⁶ First, the position of President was created, whereas in the 1980 Constitution this role was performed by the State Council. The 1980 Constitution had regulated the State Council as the presidium of the Socialist Republic of Viet Nam, which is the common model for the head of state in socialist countries where the principle of socialist centralisation is applied. With this latter type of organisation, the operations of state were operated by highest representative agency – the National Assembly. In the 1992 Constitution,

⁶ This state apparatus is often understood as ‘the state’ in Vietnamese and is designed as an administrative mechanism governing the country under the leadership of the CPV. See London (2014a: 6).

this Council was replaced by presidential regulation. This model had the advantages of the presidential model that was part of the 1946 and 1959 Constitutions and kept the close-ties between the National Assembly, the Standing Committee of National Assembly and the President to implement their functions as heads of the country. In addition, the country's President now has the right to attend sessions of the Standing Committee of the National Assembly and 'whenever he deems it necessary he can attend meetings of the Government' (1992 Constitution, Article 105). The President has some additional important tasks such as: asking the Standing Committee of National Assembly to reconsider an ordinance, and 'proposing the National Assembly to elect, release from duty, remove from office, the Vice-President of the country, the Prime Minister, the President of the Supreme People's Court, the Head of the Supreme People's Office of Supervision and Control' (1992 Constitution, Article 103, point 3).

Second, there is a fairly clear division and co-ordination among three branches of state apparatus: legislative, executive and judicial. Although the 1992 Constitution still regulates that 'The National Assembly is the highest representative organ of the people and the highest organ of state power of the Socialist Republic of Viet Nam' (Article 83), Resolution 51/QH10 by the National Assembly adjusted and added some articles to define more clearly the organisational principles and operation of the state apparatus (National Assembly's Office 2001). Accordingly, the 1992 Constitution was adjusted as follows: 'State power is unified with allotment and co-ordination among state agencies to implement legislative, executive and judicial responsibilities' (Article 2). This judgement reflects an important change in the organisational principles and the operation of state apparatus from a focus on centralisation to a greater role for decentralisation. To some extent, the decentralisation focus has led to a decrease in state governance. By extension, this is the state 'giving ground' – the central state apparatus reduced its intervention, not working on sectors or sections that it cannot reach or cover, such as the civil sectors.

Of course, beyond all the above regulations, the CPV remains the leading force in Vietnam's politics and a mechanism in implementing political power (Goscha 2016). The Party takes the leading role and the state is said to undertake the management. This mechanism can be interpreted in a simple way: that the Party will lead the state and

society by its guidance and resolutions, and that the State will institutionalise and manage these resolutions into laws and policies. This is a typical characteristic of Vietnam's politics, but has been applied flexibly in reality.

A crucial change in the 1992 Constitution was the new regulation of the economic regime. The economic regime, specified from Article 15 to Article 29, included some basic changes in comparison with 1959 and 1980 Constitutions. The most evident is the management mechanism for the national economy. While in the 1980 Constitution, the economic regime was centrally planned with an extensive state monopoly, the 1992 Constitution 'promotes a multi-component commodity economy, functioning in accordance with market mechanisms under the management of the state and following a socialist orientation' (Article 15). It defines five economic components 'the state sector, the collective sector, the private individual sector, the private capitalist sector, and the state capitalist sector' (Article 16). Further, according to Resolution 51/QH10 (Article 15 and 16), the national economic management mechanism should be adjusted as the state implements policies promoting a market economy following a socialist orientation. In addition to the five economic components, the foreign investment economic sector is recognised. Note that 'under the management of the state' and 'following a socialist orientation' have different meaning to terms such as a 'market economy, as is discussed further in the section on the influence of developmental state ideas on Vietnam below.

In brief, the changes to the economic mechanism in the 1992 Constitution and Resolution 51/NQ were implemented step-by-step and reduced the formal domination of the planned economy operating by targets and commands, which was, in practice, already very limited. This change reflected the new awareness of the Party and State about the roles of the market and private economic sectors for socialist development. This institutionalisation played an important role in improving the investment and business environment in Vietnam, turning Vietnam into an interesting destination for domestic and international private investors. The revival and strong development of private economic sectors, strong foreign investment and impressive renovations of institutions are said to be the key bases of Vietnam's achievements in international integration.

2.2.2. Political and Socio-Economic Changes after *Doi Moi*

This section starts with an overview of the economic impacts of *Doi Moi* on Vietnam. It then discusses the three key markers of the country's international integration: the lifting of the embargo by the USA in 1994, joining ASEAN in 1997 and joining the WTO in 2007.

After 25 years of *Doi Moi*, Vietnam has achieved substantial successes in its economic, political, and social transition. An evaluation by the World Bank (2015) showed that 'Vietnam's shift from a centrally planned to a market economy has transformed the country from one of the poorest in the world into a lower middle-income country. Vietnam now is one of the most dynamic emerging countries in East Asia region'. *Doi Moi* can be roughly divided into four periods as below, where the main changes in each period are outlined.

1986 – 1990: This was the first stage of *Doi Moi* and aimed to develop a multi-sector economy and then a socialist-oriented market economy. By the end of the five-year-plan 1986-1990, *Doi Moi*'s initial important achievements included: GDP grew annually by 4.4 per cent; gross agricultural exports increased annually from 3.8 to 4 per cent on average; and the rate of increase in industry and consumption production averaged 7.4 per cent and 13-14 per cent, respectively (Vo 2006: 141). Thanks to the implementation of development programs in food, consumption goods and export goods, production and economic growth recovered and inflation was restrained. This was the first period of formally recognised transformation from the old management mechanisms to new ones, implementing a renovation of socio-economic systems. It was also the first step in the liberation of production forces.

1991 - 1995: this period saw achievements consolidated. High and sustained economic growth ensured that most of the targets for economic development were exceeded. GDP increased by 8.2 per cent per year; industrial production values rose by 13.3 per cent per year; the growth of the agriculture and services sectors went up by 4.5 per cent and 12 per cent per year respectively; and total food production during 1991 to 1995 reached 125.4 million tons, increasing by 27 per cent in comparison with period 1986–1990 (Vo 2006: 143). Most economic sectors showed relatively good growth rates. The 8th Party Congress found that 'Vietnam stepped out from over 15 years of serious socio-economic crisis, although some aspects had not been sound, the necessary premises

were established to transform into a new development period: pushing up industrialisation and modernisation' (Communist Party of Vietnam 1996: 12).

1996 - 2000: this period marked saw increasing industrialisation and modernisation but some turbulence. Despite a regional financial and economic crisis in 1997-1999 and natural disasters, resulting in severe economic challenges, Vietnam maintained a good growth rate. Annual GDP growth rate 1996-2000 was seven per cent - agriculture, forestry and fishery rose by 4.1 per cent; industry and construction went up 10.5 per cent; and the services sector grew by 5.2 per cent (Vo 2006: 144). An assessment by Ha Dang, found that 'for the whole period 1991 – 2000, GDP growth rate was 7.5 per cent. Compared with 1990, GDP in 2000 was twofold' (Vo 2006: 572).

2001 - 2005: the implementation of the Socio-economic Development Strategy 2001 – 2010 and Five Year Plan 2001–2005, which were approved by the 9th Party's Congress resulted in a range of changes to policy and administration. The GDP growth rate increased by 7.5 per cent per year and in 2005 it was 8.4 per cent. GDP in 2005 reached VND 837.8 thousand billion, which was twice as large as in 1995. GDP per capita was about VND 10 million (equivalent to \$640), exceeding the average of developing countries with low income (\$500) (Vo 2006: 146). Together with economic growth, the stability in the economy was maintained. These outcomes resulted from the institutional economic revolution, administrative systems reform and from improvements in human resource development.

2006 - 2010: the country progressed from being a low-income country to being a lower middle-income country. The average GDP growth rate during the five years was seven per cent (Communist Party of Vietnam 2011: 53). Despite the global financial crisis and low global growth since the end of 2008, foreign investment into Vietnam was still high. The total FDI implemented capital was nearly US \$45 billion, exceeding the planned target by 77 per cent (Do and Nguyen 2013). The total newly registered capital and an increased capital were estimated at US \$150 billion, exceeding by 2.7 times the planned target. The total committed Official Development Assistance (ODA) was over US \$31 billion, one and a half times more than the planned target; and disbursement was estimated at about US \$13.8 billion (Do and Nguyen 2013). GDP in 2010 estimated by actual value was US \$101.6 billion, 3.26 times larger than in 2000 (Communist Party of Vietnam 2011: 151).

In 2011, although the recovery from the global financial crisis was very slow, the economic growth rate was 7 per cent. Though this rate was lower than the planned target (7.5 per cent - 8 per cent), it was still higher than the average of the countries in the region (Vietnam Government Portal 2012). However, GDP in 2012 dropped to a new low of 5.3 per cent and then slowly increased to 5.4 in 2013, 6.0 in 2014, and 6.7 in 2015 respectively (World Bank). Ministry of Planning and Investment (MPI) assessed GDP growth in the 2011-2015 period was the lowest increase since 2000 (average growth rate in 2006-2010 period reached 7 per cent, the period 2001-2005 was 7.51 per cent) (Haiquanonline 2015)

From 1991 to 2011, Vietnamese GDP growth averaged 7.34 per cent, ranking it highly in terms of national economic growth in South East Asia, Asia and the world in general. The economic size in 2011 was 4.4 times larger than in 1990 and over 2.1 times larger than in 2000 (Duong Ngoc 2012). According to the General Statistical Office, the poverty rate fell dramatically ‘from 58 per cent in 1993 to 37.4 per cent in 1998, 28.9 per cent in 2002, 16 per cent in 2006 and 14.5 per cent in 2008’ (Cited in Vietnam Academy of Social Sciences 2011: 1). But based on Government’s new regulations for poverty standards, the rate was 20.7 per cent in 2010 (World Bank 2013) thus the country still faces many challenges.⁷ The 2013 financial years was marked as having the lowest rate of Vietnamese GDP growth in since *Doi Moi* at 5.3 per cent. However, since the end of 2013, the Vietnamese economy has gradually improved and regained momentum.

2.2.3. The Global Politico-Economic Environment after *Doi Moi*

Beyond the above achievements after *Doi Moi*, the three key markers of the country’s international integration are: ending the embargo from the USA in 1994, joining ASEAN in 1997 and joining the WTO in 2007.

Ending the embargo from the USA: 1994

From 1975 to 1994, the US placed an embargo on Vietnam and used its own power to prevent international assistance to Vietnam. From 1976 to 1978, Vietnam and the US

⁷ Based on the new poverty line (equal to VND 653,000/person/month or \$2.25 per person per day on purchasing power parity term 2005) and the updated monitoring system, the national poverty rate in 2010 is 20.7 per cent. Whereas the official poverty rate was 14.2 per cent in 2010 using official the MOLISA urban and rural poverty lines of VND 500,000 per person per month and VND 400,000 per person per month, respectively (World Bank 2013b).

were in negotiations to normalise relations but the negotiations were unsuccessful. On 7 May 1976, President Gerald R. Ford asked the US Congress to stop temporarily the embargo on Vietnam for six months for bilateral talks and on 6 January 1977, the US Foreign Affairs Department presented a three-step-roadmap to normalise relations. They stated that the condition of normalisation was a full accounting of missing in action (MIA) soldiers and return of the remains of deceased US soldiers (Nguyen 2011). Vietnam asked for compensation for war damages, but the US claimed that Vietnam had violated the Paris Agreements so the compensation issue was ignored. On 3 May 1977, the first negotiation took place in Paris. Vietnam insisted the US provide US \$3.25 billion for war damages. The US insisted on the normalisation of relation first, putting off compensation. The negotiation was unsuccessful. In the 1980s, under President Reagan (1980-1988), normalisation was further delayed with the US demanding Vietnam withdraw troops from Cambodia and fully cooperate in solving MIA before negotiations take place (Nguyen 2011).

In 1993, the US announced it would not prevent other countries lending to Vietnam after they paid their arrears to the international financial institutions, the World Bank and IMF, which was required to re-establish relations with them. In 1994, President Bill Clinton lifted the embargo completely and set up a communication body between two countries and on 11 July 1995, President Bill Clinton declared the normalisation of ties with Vietnam (Clinton 1995). This event marked a significant step on the way to Vietnam opening up relations with the non-communist world. Further, Vietnam found it easier to attract foreign investment sources, which was a very important factor in progress of economic reform of Vietnam. The changes and impacts of foreign investment on political economic aspects are analysed more specifically in next chapter.

Joining ASEAN: 1997

The Association of South East Asian Nations (ASEAN) was formed in 1967 as a political-security organisation by five initial members: Indonesia, Malaysia, the Philippines, Thailand and Singapore. Before the 1990s, its activities were limited and often focused on political conflicts such as Cambodia.⁸ At that time, most ASEAN

⁸ After 1975, the Cambodian problem emerged as a key issue in the relationship between Vietnam and ASEAN members. Vietnam considers that their soldiers went to Cambodia in order to protect its own border and people and to undertake an international responsibility to help Cambodia escape a genocide

member's economic focus tended to be external, not inside the region, owing to limited economic development in the region. By the early 1990s, however, the economic power of ASEAN's member states had increased remarkably and they were labelled as newly industrialising countries (NICs) or new Asian Tigers. Facing challenges and opportunities caused by the world economic restructuring linked to globalisation, as well as the trend of regionalisation, the ASEAN Summit of Ministerial Meeting held in Singapore in January 1992, delivered a breakthrough in ASEAN history. It moved toward greater economic cooperation through two important decisions: forming the ASEAN Free Trade Area (AFTA)⁹ and signing a Framework Agreement for Enhancing ASEAN Economic Cooperation (Association of Southeast Asian Nations 2013). From this time, ASEAN also became more open to increasing its membership.

Vietnamese Party-State had formerly regarded ASEAN as a US tool, but from around 1991 it recognised the potential of joining ASEAN which would at very least help develop open policies in Vietnam and encourage investment and development of markets abroad (Nguyen, Nguyen et al. 2011: 7). In addition, ASEAN countries have a range of skills and knowledge that could benefit Vietnam. For example, most countries used to be colonies of Western countries and they applied successful economic measures that Vietnam could learn from to help it catch up with the region and the world. Politically, the efforts by Vietnam to join ASEAN indicated the desire to become relatively independent of China, its giant neighbor (Nguyen, Nguyen et al. 2011: 8). Although in name, China and Vietnam are socialist allies, Vietnam's history reminds it to be cautious, vigilant, cooperative but not too dependent. Moreover, the country sees it needs to show willingness 'to be friends with countries across the world' (Constitution 1992, Article 36). Joining ASEAN, a political association, was proof that Vietnam was over the barrier of ideology, and

being perpetuated by the Pol Pot regime. However, for ASEAN's then members, it was seen as an aggression and a threat to regional security. Moreover, Vietnam was supported by socialist countries such as the USSR and East European countries when entering Cambodia, thus ASEAN states saw it as a communist occupation. This was especially the case for Thailand and Singapore.

⁹ AFTA is a trade bloc agreement supporting local manufacturing in all ASEAN countries. It was signed on 28 January 1992 in Singapore. When it was originally signed, ASEAN had six members, namely, Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Vietnam joined in 1995, Laos and Myanmar in 1997 and Cambodia in 1999. AFTA now comprises the ten countries of ASEAN. All the four latecomers were required to sign the AFTA agreement in order to join ASEAN, but were given longer time frames in which to meet AFTA's tariff reduction obligations (Association of Southeast Asian Nations 2014).

ready for cooperation and co-development. ASEAN was a bridge for Vietnam to broaden the road to world integration, and membership helped enhance its image, position and influence in the world (Nguyen, Nguyen et al. 2011: 8).

Similarly, ASEAN saw that the strength of the Association would be enhanced in the security, politics and even economic arenas if Vietnam and other countries were admitted. In order to enhance opportunities and address challenges, both sides needed to be cooperative and move from confrontation to dialogue to construct an international relationship in the region for the sake of joint and mutual benefits especially peace and development. Thus, on 28 July 1995, at the ASEAN Ministers of Foreign Affairs Meeting, Vietnam officially became the seventh member of ASEAN. This event opened a new stage of cooperative relationships not only between Vietnam and ASEAN but also with other countries in the world.

From 1986 to 1991, Vietnam had focused on domestic reform, but from 1991, Vietnam focused more on the outside world and the development of cooperative relationship with countries in the region. Joining ASEAN has positively impacted the foreign relations and international position of Vietnam to the present day. This was not only ‘opening the door’ to political and economic cooperation with ASEAN members, but also a bridge for Vietnam to get out in the world and diversify its foreign relations. With this success, Vietnam changed its status from political isolation to being a dynamic player in Southeast Asia relations, one of the fastest growing and most politically diversified regions in the world.

Joining the WTO: 2007

The creation of the WTO is a key organisation and representative of the trend toward globalisation. Although Vietnam was faced with challenges from joining this ‘playground’ with existing rules, joining the WTO was the aim of many countries because of the perceived economic benefits. For Vietnam, a country where international economic integration occurred only after the 1986, the negotiation to join the WTO was complicated. To become a WTO member, a nation must meet a range of requirements including having a market-oriented economy, and being ready and able to meet obligations as a WTO member. WTO obligations include trading based on five principles:

- 1) Non-discrimination: members of the WTO do not allow discrimination on goods, services and intellectual property against any other WTO member.
- 2) Reciprocity: trade barriers should aim to be removed via the negotiating process. However, the WTO allows its members, developing countries in particular, stepped change in regulations.
- 3) Binding and enforceable commitments: WTO members are not allowed to have arbitrary policies of trade and other related policies, they have to follow binding and enforceable commitments to ensure the stability and predictability of the multilateral trading system.
- 4) Transparency: WTO members are required to publish their trade regulations, to establish and maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO.
- 5) Safety valves: 'A final principle embodied in the WTO is that, in specific circumstances, governments should be able to restrict trade' (Hoekman, Mattoo et al. 2002: 41-43).

Any new application to join the WTO must be approved by two thirds of the existing members at a WTO Ministerial Meeting and each country must be evaluated first, as to whether it has met enough conditions to join (Parenti 2000: 154).

Vietnam submitted its application to the WTO in January 1995, in other words just as the organisation was being established. Vietnam had to accept WTO requirements and undertake multilateral negotiations with concerned members about its commodity and services markets. Through a bilateral trade agreement with the USA, Vietnam had already accepted key WTO principles such as most favoured nation (MFN) status, which is 'a method of establishing equality of trading opportunity among states by guaranteeing that if one country is given better trade terms by another, then all other states must get the same terms' (WTO 2014) and national treatment (NT), which is the principle of giving others the same treatment as one's own nationals (WTO 2014). Regarding broader tax adjustments, Vietnam committed to the WTO agreements and treaties, which included systems of regulations of international trade, from commodity, to services and intellectual property.

The complexity of the process and the requirements that it imposed on Vietnam can be seen in the fact that it took over a decade for the country to be accepted into the WTO only on November 11, 2006 in Genève, Switzerland, when Vietnam became an official member of WTO. This offered a new chance for the country's development as well as challenges. Matters around the influences on Vietnam in WTO accession are further discussed in Chapter Four of this thesis, which examines international organisations in Vietnam.

From this brief discussion of Vietnam's political, social and economic evolution, it is clear that the country has made dramatic progress in all areas but that, in particular, its social and economic progress is highly regarded. Along with strong levels of economic growth, Vietnam has achieved high levels of poverty reduction and good health outcomes; indeed, it performs strongly on a range of social indicators relative to its economic development, though many challenges remain. One key question that remains is: what policies and mindset have underpinned Vietnam's socio-economic development? Examining this issue is the focus on the next section.

2.3. Vietnam, the Developmental State and Globalisation

There are only a handful of scholars writing about Vietnamese developmental policies and the impact of globalisation. However, Vietnam has been diving into globalisation in the past decade and its impacts are being felt. This means the relationship between the nation state's own strategic development policies and the influence of global actors is at a critical point. This section reviews the literature on the influences on Vietnam's development strategy, which shows that both developmental state and neoclassical (and perhaps even neoliberal) developmental strategies are competing for influence.

When Vietnam shifted to the goals of a market economy with socialist orientation, this was meant to be an economy based on the principles and rules of the market economy, but with the state-owned economic sector still playing a significant role in the national economy (Nguyen 2012; Le 2013; Vu 2013; Nguyen 2015). Further details of the special characteristics of socialist-oriented market economy in Vietnam are more fully explained by Vu (2013) as:

First, the socialist-oriented market economy is a form of organising the economy in its transition to socialism from a backward agricultural, less developed economy. This form of organising the economy aims at enabling Vietnam to achieve the goal of a prosperous people, strong country, democracy, equity and civilisation. Second, the socialist-oriented market economy is a multi-sector economy with the state and collective economies serving as the foundation and the state economy playing the decisive role. All economic sectors operate in line with the common orientation and legal framework of the socialist state. Third, the socialist-oriented market economy, in fact, is a form of organising an economy based on the principles and rules of the market economy and on the principles and nature of socialism. Fourth, the socialist-oriented market economy is an economic model, which is “open” both internally and externally.

The strong socioeconomic developmental mindset here is notable. Further, the organisation of the government and socialist-oriented market economy in Vietnam was influenced by, and many similar characteristics and contexts to, China. Another key influence was ‘the social and ecological market economy’ of the Northern Europe countries (Le 2008: 168). In China, the socialist market economy and then ‘socialism with Chinese characteristics’ was the terminology used to describe the reform process. This ‘can be interpreted as the gradual decline of the socialist plan in favour of the market’ but notably the most important economic sectors were still dominated by Chinese government (Sigley 2006: 501). In the context of China’s socialist market economy, the function of government was changed from central planning and administration to one that involves ‘management’ and ‘governance’ (Sigley 2006: 496). In Northern Europe countries, the model of the ‘social and ecological market economy’ was recognised as the one that includes ecological ingredients, market elements and social characteristics and these factors ‘chime with each other as equally essential elements in a melodious triad’ (Benecke 2008: 23). Thus, we can clearly see that developmental state ideas, in the broader form encompassing social and economic development, were a strong influence on *Doi Moi*.

Pietro Masina (2006) was one of the first scholars to provide a historical overview of Vietnam's development strategies. The central focus of the book is to explain the successful transition in Vietnam’s strategic development policies from the central-

planning economy to a market-oriented economy and whether Vietnam applied the developmental experiences of East Asian states in their reform. Ending the book with an open conclusion, the author put the question ‘Transition: where to?’ He found that the Vietnamese strategic development model was, in fact, ‘something very different’ from Asian developmental state, because these models had required ‘a different kind of political consensus’, ‘modern governance’, and that ‘alternative strategies should be more openly discussed’ (Masina 2006: 158).

In Masina’s (2012) later work, he argued that the international financial institutions (IFIs) repeatedly pushed the country to speed up reform of ‘state owned enterprises, the financial sector, the trade system, and the role of private sector’ but that Vietnam repeatedly slowed action. Yet, he notes that although these institutions ‘repeatedly voiced its disagreement but,’ they still consider ‘Hanoi as a key customer, continued to lend to it profusely’ (Masina 2012: 191). Therefore, Masina concluded that Vietnam followed a path between that of a developmental state and neoliberalism, it adopted ‘a gradualist approach in contrast with the shock therapies...’ that were promoted by the IFIs and that it ‘...did not apply key aspects of the Washington and Post-Washington Consensus’ (Masina 2012: 191). Vietnam strongly supported and used elements of the import substitution industrialisation, an early approach used by East Asian developmental states. Further, ‘the very notion of Western-style governance (which is the cornerstone of the revised Washington Consensus) remained totally extraneous to the national political system’ (Masina 2012: 191).

Thus, the characteristics of a developmental state in Vietnam are often not fully or clearly expressed. Different scholars have brought different aspects of developmental states in Vietnam that they may review by themes – developmental leadership, industrial policy, management of other economic adjustment, and social and welfare policy. The following section explores these themes.

First, regarding issues of developmental leadership, Pham (2012) provided a comprehensive analysis on ‘committed leaders’ and ‘consensus and coherence in leadership’ in Vietnam (Pham 2012: 148-149). The author analysed separately the role and position of the party general secretary as well as the elite leadership such as Politburo and showed that the Vietnamese political system has operated on a basic principle, ‘democratic centralism’, in which ‘no single person can decide an important

issue’ and all political decisions were normally made ‘based on the consensus of the leadership’ (Pham 2012: 149). Specifically, the committed leaders and consensus of the Vietnamese leaderships are generally recognised by their strong and independent ideology. Regarding issues of ideological influences, Gainsborough (2010) has criticised scholars who ‘emphasise the very great power of neoliberal institutions in our world today’ seen in slogans such as ‘Neoliberalism-dominant ideology shaping our world today’, ‘an age of neo-liberalism’ and ‘neoliberalism as powerful’ (Gainsborough 2010: 476). His main evidence for this argument was his analysis of the shift from the pre-reform to the post-reform Vietnamese state. According to Gainsborough, although the post-Washington Consensus era neoliberal policies were an influence on reform, the Vietnamese state still maintains much independence despite these influences.¹⁰ In the economic field, although Vietnam’s business sectors have expanded, state actors still have ‘led the way’ (Gainsborough 2010: 482). From specific evidence such as one ruling party or party-controlled mass organisation, combined with an analysis of the form of Vietnam’s regulatory state, Gainsborough provided a strong argument that ‘the influence of neoliberalism on the working of the Vietnamese state has been relatively small’ (Gainsborough 2010: 475). This is a vital debate for my thesis as it focuses on the topics I examine to express how the state has a proactive, autonomous role and then to recognise different perceptions of it.

Second, in term of industrial policy, Pham (2012) also provided an overview of the strategic industries given by Vietnamese Party-State. Accordingly, selecting industrial sectors (heavy or light industries; handicraft, textile and garment (T&G), footwear, or energy industries, including petroleum, gas, coal and electricity, etc.) and degrees of those priority was different choice from different periods. He showed that:

T&G and footwear industries have been considered as prioritised industries since 1996 (CPV, 1996), and will be so until 2020, while the plastic industry was prioritised before 2010, but has not been so since 2010. Or steel and bauxite industries have been prioritised since 2007, and will be so until 2015, but will no longer be prioritised after 2015 (Pham 2012: 297).

¹⁰ Post-Washington Consensus is a term used to describe the policies of the key international financial institutions, especially the World Bank and IMF, after the costs of the structural adjustment era or Washington Consensus policies, were agree to be too high in terms of increases in poverty and misery (Engel 2010).

Those features as Pham's consideration is similarity with industrial strategy of 'the archetypal developmental state' by the way that 'they also actively select to focus on a certain key industries and will phase them out when those industries have become mature or less strategic' (Pham 2012: 297). However, the typical feature toward industrial policy in Vietnam is state leading key industries (including infrastructure - electricity, petrochemical, and high-tech industries) and those are important things to see how 'the Vietnamese state has intervened in their development processes and its specific roles and contribution to their development' (Pham 2012: 299). Starting with similarity arguments about the role of GoV as above, Fforde (2010) explained that this process (the development process and transition from centralisation to market-oriented policy) 'may have effects upon static economic efficiency that are positive during transition but negative afterwards, so that the significance of 'rents' depends upon context' (Fforde 2010: 126). In other words, that Vietnam has been able to benefit from its economic transition but that these benefits may not continue. Through investigating the changing economic structure, mainly focusing on changing economic policies, Fforde (2010: 130) realised 'these policy measures were in fact conservative in intent, seeking to slow the process of transition rather than support it'. This demonstrates that the Vietnamese state has actively sought to manage economic globalisation. Fforde concluded that Vietnam has undergone 'a conservative transition from central planning to a market economy followed by the emergence of a form of capitalism' (Fforde 2010: 141). This is vital the context for all three case studies.

Third, regarding issues of the management of other economic adjustment, most scholars writing about *Doi Moi* in Vietnam have acknowledged that, although the Vietnamese Party-State leadership implemented the 'opening up' of the economy; prioritised industrialisation and modernisation policies; and called for FDI attraction; Vietnam's gradualist approach to reform was known as the dominant direction rather than applying 'shock therapy' (Gates 1995; Fahey 1997; Malesky and London 2014). A gradualist approach to reform is understood and applied in two basic respects, economic reform first followed by a gradual political reform and in economic renewal, the state and collective economies still play as 'the decisive role' in economic development. The private and foreign sectors play a dynamic role in the economy. All economic sectors are organised following two principles; the principles of the market economy and the principles of 'nature of socialism' (Vu 2013).

Fourth, in terms of the social and welfare policy, those are special characteristics in Vietnam's developmental strategies. In the long-term vision, Vietnam has targeted to build a dominant party political system but with a friendly relationship with the market and civil society (Dinh and Pham 2016: 78). The social and welfare policies would be considered as a 'key bridge' for that strategy. However, in fact, the Vietnamese social organisations are not completely independence with state agencies (Dinh and Pham 2016: 78, 87, 91). These authors defined that the state administrative apparatus and the rule of law in Vietnam exposed optimistic indications of the developmental state. However, in the field of civil society separately, their points are similar with some other international scholars. For example, as Gainsborough (2010: 481) noted 'the Party-controlled mass organisation structure still persists' or as Thayer raised a challenge for 'how Vietnam's one-party state manages the challenges posed by political civil society' (Thayer 2009: 1). Thayer argued that there was an explosion of these groups in Vietnam from the early 1990s and that they often played a crucial role in community development such as 'managing natural resources, combating environmental pollution, promoting development for a sustainable livelihood...' (Thayer 2009: 5). The role of these groups is likely more and more important in demonstrating the political efficacy of networking that espouses religious freedom, human rights and liberal democracy. From this context, Thayer concludes that 'over the next few years Vietnam's one party state will face major challenges to performance as the basis of its legitimacy', and challenges from 'joint action by members of the ruling elite acting in concert with elements of political civil society in the long term' (Thayer 2009: 23).

Overall, despite some different interpretations of aspects of Vietnam's developmental approach, it is clear from the literature that Vietnam's developmental strategy has vacillated between developmental state policies and a more neoclassical or even neoliberal approach to development. In this latter case, Masina (2012) shows how this approach has been strongly promoted by IFIs (see also Engel: 2008). Masina (2012) and Bui (2015) most clearly shows the proactive, autonomous role of Vietnamese state in leading the country's development and growth. However, they did not give much attention to the influence of international factors in Vietnam's strategic development processes, other than the IFIs. These studies do explore issues around Vietnamese state's developmental strategies, in terms of the state apparatus, the role of political leader and the forms of state intervention in economic development. However, they do

not, as in Thurbon's (2016) analysis of South Korea, give much attention at all to the developmental mindset of key actors. This is a key issue that can shed light on the debate about Vietnam's vacillation between the developmental state and neoclassical/neoliberal development trajectories. The focus in this thesis is the developmental mindset in relation to key issues and actors linked to globalisation. Thus, the next section of this chapter outlines the impacts of the four key newly emerging international actors explored in this thesis.

2.4. The Newly Emerging Actors

The above interpretation showed Vietnam changed dramatically after *Doi Moi*. To some extent, it can be seen these changes resulted not only from internal changes but also from Vietnam diving into globalisation. The new actors that emerged Vietnam with globalisation have clearly influenced the developmental mindset and trajectory too. The selection of international actors was to give a sense of their impact across the social, political and economic realms in Vietnam: the rise of foreign economic actors, the expansion of international organisations, and the blossoming of non-governmental organisations.

Regarding the rise of foreign economic actors, these were very new yet key elements in the progress of Vietnamese economic development after *Doi Moi*. If the focus is just on foreign direct investment (FDI), the numbers below describe clearly its rise:

After 20 years of *Doi Moi*, the foreign investment sector increased sharply and became an important sector in the national economy, contributing to the success of *Doi Moi*. Up to the end of 2010, foreign investors invested in 18 of 21 industries in the hierarchy of national economic sectors and the processing and manufacturing industries gained highest rate with 7,305 projects, the total capital registered of U.S. \$93.97 billion, accounted for 59.8% of projects and 49% of capital registered in Vietnam... Up to now, there are 92 countries and territories with investments in Vietnam and Taiwan is the No. 1 investor with over 2,146 valid projects and total capital register of US \$22.8 billion. Korea ranked second with more than 2,650 valid projects, total capital register of U.S. \$22.1 billion. This is followed by Singapore, Japan and Malaysia investors (Department of Foreign Investment 2012: 1-2).

Thus, it can be seen that FDI in Vietnam increased dramatically both in terms of the capital investment and the number of invested countries. Compared with period before *Doi Moi*, when Vietnam had a closed-door policy and a centrally planned economy, FDI can be seen as a new wind that flowed through the national economy. FDI's impact has been evaluated within Vietnam mostly by its positive contributions such as providing important supplementary capital for economic development; contributing to economic restructuring and enhancing capacity for industrial production; promoting technology transfer; contributing to the national budget; promoting reform of administrative procedures and increasing the transparency of the investment environment; contributing to strengthening foreign relationship with countries and international organisations in the world; and deepening the domestic sectors of the national economy (Department of Foreign Investment 2012: 4-7). This thesis examines some of the questions that arise from FDI in terms of the developmental mindset, such as how do foreign economic actors influence the proactive, autonomous role of the Vietnamese state in driving development? Or, is the government losing sovereignty or political independence when faced with the rise of foreign economic actors? What is the contributions of these actors to the Vietnamese state's strategic development policies? The mindset by actors involved with FDI in Vietnam are analysed and answered in more detail in the next chapter.

Since *Doi Moi* there has been a significant expansion of international organisations in Vietnam. Prior to renovation, Vietnam was involved in a war of independence and then there was a period of building a socialist economic model. During this time, Vietnam mainly established relationships with socialist countries and there were limited operations by international organisation. The United Nations Development Programme (UNDP) had a few advisers in the country and there were some small, intermittent programmes by the International Monetary Fund (IMF) and World Bank (Engel 2010: 90). This all changed radically with the emergence of various international organisations after *Doi Moi*, and increasingly during the 1990s. These organisations can be divided into two systems, one is all of the organisations that are part of core UN system (including all the UN agencies, funds and programmes in Vietnam) and the other are the international financial institutions in particular the World Bank, the IMF and the Asia Development Bank (ADB).

The UN organisations currently working in Vietnam include: United Nations Development Programme (UNDP), Food and Agriculture Organisation (FAO), International Labour Organisation (ILO), United Nations Children's Fund (UNICEF), World health Organisation (WHO), International Organisation for Migration (IOM), UNAIDS in Viet Nam, United Nations Educational, Scientific and Cultural Organisation (UNESCO), United Nations Population Fund (UNFPA), United Nations High Commissioner for Refugees (UNHCR), the United Nations Industrial Development Organisation (UNIDO), UN Women, the United Nations Office on Drugs and Crime (UNODC) and United Nations Volunteers (UNV) (UN in Vietnam 2011: 2006-2013).

From this list, it is clear that a range of international organisations is now working in Vietnam having expanded their operations. Beside the indubitable benefits these organisations bring, their growth poses a range of questions regarding political independence. Has there been intervention into Vietnam's government by these organisations? How will Vietnam have been bound by their regulations? What does the development mindset of these organisations affect Vietnamese state's own strategic development policies? What is the influence of these organisations on the policy-maker of Vietnam? These questions and others will be developed and analysed with evidence from case studies in the next chapters.

The final group of newly emerging actors explored in this thesis is international non-governmental organisations (INGOs). INGOs have been working in Vietnam for many decades. In the early 1970s, most of the INGOs that came to work in Vietnam had religious (Christian) affiliations and were supporting people suffering from the war, or bringing benefits including medicine and equipment. 1986 was a nodal point when Vietnam implemented *Doi Moi* and there was a breakdown in support from the socialist countries. Furthermore, the US attitudes started to soften. This created new possibilities for INGOs wishing to support Vietnam and renewed efforts to have representatives in the country (Nguyen 2001: 12-13). INGOs were actually blossoming in Vietnam by the 1990s.

As Gainsborough (2010: 481) noted: 'the Party-controlled mass organisation structure still persists' in Vietnam. By contrast, Thayer notes, there has been an explosion in the number of these groups in Vietnam since the early 1990s and that they often play a

crucial role in community development. Many of these groups become networks that espouse religious freedom, human rights and liberal democracy. From this context, Thayer concludes that ‘over the next few years Vietnam's one party state will face major challenges to performance as the basis of its legitimacy’, and challenges from ‘joint action by members of the ruling elite acting in concert with elements of political civil society in the long term’ (Thayer 2009: 23). Maintaining legitimacy is important for developmental states, which points not just to the thinking around internal civil society but to the role of INGOs, which is a concern of this thesis.

INGOs work in the economic, political, social and cultural spheres and support diverse activities such as technical assistance, health care, mother and child health promotion, environmental protection, human rights, rights to access information, transparency, etc. These organisations are said to have closer access to the people and have gained a certain convincing prestige (Dang 2009; ISEE 2010). The free services and provision of experts have particularly helped their influence in society, whereas the belief in the state has declined because of corruption and bureaucracy (Nguyen and Nguyen 2014). Indeed, it is notable how positively INGOs have been regarded in Vietnam and thus the question arises as to how they have impacted the developmental mindset particularly in the social and welfare realms. Other questions raised include: How do the perceptions of their success influence perceptions of the Vietnamese state? Does participation of these organisations together with Vietnamese state promote the country’s growth and development? Is Vietnamese state capacity enhanced through the participation in these organisation’s projects and programs? These questions are key questions addressed in Chapter Six.

2.5. Conclusion

The period before *Doi Moi* was a dynamic one in Vietnam. North Vietnam gained independence while South Vietnam continued to face war. Up to 1975, Vietnam was totally sovereign and had built a socialist model based on that in the Soviet Union and Eastern Europe across the whole country. As a result, the 1980s were considered typical of a centrally planned economic and bureaucratic political model in Vietnam, though the Vietnamese state was not quite as centrally planned as most other socialist states. The 1980 Constitution was created in this context. The central point of this constitution

was that it designed an exclusive national political system and a centrally subsidised economic system. That model met reactions in practice and that this was a key reason for the emergence of *Doi Moi* or reform in 1986.

Doi Moi was implemented following pressures from the actual practices in the country and also thanks to the change of international context, in particular the demise of most socialist states. At the same time, the USSR's unsuccessful big bang transition to a market economy, which turned into a crisis, made leaders in Vietnam cautious about transition. This was the time Vietnam ended the 'closed door' policy – focused on limited relationship with socialist countries – and changed to an 'open door' policy where it established international relationships across the world. Yet, designing and implementing a new economic political model created many challenges. Vietnam came out of the war without much experience in market-based economic management and related social democratic welfare regimes.

To some extent, the 1992 Constitution was a reaction to *Doi Moi*. This constitution provided a fairly clear division among three branches of state apparatus: legislative, executive and judicial, thus following the liberal idea of separation of powers to an extent, though the role of the CPV remained dominant. The state apparatus created new constraints on state organs and reduced the top-down nature of making and implementing policies. The 1992 Constitution also changed fundamentally the regulation of the national economic system. It marked an important change from a centrally planned economy to a multi-component commodity economy and then a market economy with a socialist orientation. It promoted all economic sectors such as private, foreign, collective or state sectors engaging in fair competition under a system of law. The gradual process of reform was undoubtedly influenced by the model of developmental states in East Asia as well as by China.

With these important changes, difficulties in developing international relationships and integration were gradually reduced. Events such as ending the embargo from the USA, joining ASEAN and joining the WTO were key decisions in promoting the regional and international integration of Vietnam and the shift to a market-based economy. Over time, the extent to which Vietnam's transition was predominantly informed by developmental state ideas versus more neoclassical or neoliberal ideas has become less clear. Indeed, it is clear that Vietnam has been vacillating between the two. Studying the

developmental mindset of a range of actors in the country will shed light on which way Vietnam is likely to head the future. And to study this, the context of international integration is vital. There have been many factors for the state to address such as the rise of foreign economic actors, the expansion of international organisations or the blossoming of INGOs. These factors contribute to the changing picture of Vietnam and will influence the developmental trajectory. These factors also bring their development mindset to Vietnamese state's own strategic development policies, contributing to changing state policies and behaviours.

Chapter Three

Foreign Direct Investment and Its Influence on the Developmental Mindset in Vietnam

3.1. Introduction

Foreign direct investment and multinational corporations (MNCs) have long been an important component of strategy through which the original developmental states sought to achieve economic development. However, the impact of MNCs has become more fraught in the era of globalisation. This is because MNCs have emerged as key factor that underpin ‘not just national economies but the world economy’ (Mikler 2013: 160). As well as the widespread influence of MNCs in ‘a sea of global flows’ of national economies, the claim has also been made that ‘the sovereignty and autonomy of nation-states has been radically reduced’ (Goldblatt, Held et al. 1997: 269). In the competition among governments to attract FDI, political institutions and policies have been influenced by MNCs’ interests. For example, MNCs pressure governments for policy changes in order to gain greater benefits. Indeed, they can even ‘threaten political leaders that harm multinational operations by refusing further investment in the country, or by pulling out existing investments’ (Jensen 2006: 3). Moreover, MNCs use international trade commitments - the WTO and preferential trade agreements (PTAs) – to pursue their organisational interests. Here, developing countries that belong to the WTO and participate in more PTAs, make bargains and impose requirements on domestic policies. Consequently, domestic policies usually adapt to MNCs’ conditions in order to attract ‘more FDI and thus increase their economic growth’ (Büthe and Milner 2008: 741).

Yet, developmental state theorists argue that the relationship is not wholly one sided. Rather, they argue, there are prominent factors that support a strategic alliance of MNCs and the state in many cases. In this strategic relationship, the nation state still works as ‘a pillar of so-called policy autonomy’, while MNCs –‘as the dominant private actors’ promote the state, so increasing capacity enhancement (Weiss 1999: 60; Mikler 2013b: 2-3). Thus, measuring the influence of MNCs through FDI in national states is an important issue, especially in case of developing countries that appeal for foreign investment.

Vietnam is a developing country that is hastily luring FDI, and hence is likely to reveal interesting evidence around this issue.

The emergence of foreign economic actors in Vietnam began after the implementation of the ‘open door’ policy in 1986 and then blossomed in 1990s. These actors have contributed to the political economic restructuring of Vietnam in recent years. This chapter aims to investigate the activities of foreign economic actors, especially FDI, in Vietnam and their impacts on Vietnam’s development mindset after *Doi Moi*. This chapter focuses on a case study of Vinh Phuc province. Besides providing a general picture and characteristics of FDI in Vinh Phuc, this chapter analyses the challenges to local governance resulting from FDI flows. Furthermore, by examining the sub-national level and looking back at the theoretical framework about linkages between FDI and national economy sovereignty and developmental capacity, this chapter demonstrates the mindset about economic development in Vietnam.

This chapter starts by providing a brief overview of FDI and its contribution to Vietnamese economic growth, and then it reviews the literature on specific aspects of FDI inflows to Vietnam. The following section is a case study in Vinh Phuc province to show the challenges to local government resulting from FDI by focusing on a sub-national perspective. Finally, the chapter examines the impact on the developmental mindset that can be related to FDI by generalising from the case study to the national economy, drawing on interviews with experts and re-examining the theoretical framework.

3.2. A brief overview of FDI in Vietnam

According to a report from Vietnamese Government (Department of Foreign Investment 2012), after 20 years of *Doi Moi*, the foreign investment sector has grown rapidly and has become an important sector in the national economy, contributing to the success of *Doi Moi*. Up to the end of 2010, foreign investors invested in 18 of 21 industry sectors in the hierarchy of national economic sectors. The processing and manufacturing industries gained the highest rate of investment with 7,305 projects and a total registered capital of \$93.97 billion,¹¹ which accounted for 59.8 per cent of projects and

¹¹ All figures are in USD, unless specified otherwise.

49 per cent of capital registered in Vietnam. By 2011, ‘Vietnam was the third largest FDI recipient in South East Asia’ (Tran 2013: 3).

Table 3.1 Foreign direct investment projects licensed in period 1988-2015

<i>Years</i>	<i>Number of projects</i>	<i>Total registered capital (Mill. USD)¹²</i>	<i>Implementation capital (Mill. USD)</i>
1988-1990	211	1,603.5	
1991	152	1,284.4	428.5
1992	196	2,077.6	574.9
1993	274	2,829.8	1,117.5
1994	372	4,262.1	2,240.6
1995	415	7,925.2	2,792.0
1996	372	9,635.3	2,938.2
1997	349	5,955.6	3,277.1
1998	285	4,873.4	2,372.4
1999	327	2,282.5	2,528.3
2000	391	2,762.8	2,398.7
2001	555	3,265.7	2,225.6
2002	808	2,993.4	2,884.7
2003	791	3,172.7	2,723.3
2004	811	4,534.3	2,708.4
2005	970	6,840.0	3,300.5
2006	987	12,004.5	4,100.4
2007	1544	21,348.8	8,034.1
2008	1171	71,726.8	11,500.2
2009	1208	23,107.5	10,000.5
2010	1237	19,886.8	11,000.3
2011	1191	15,618.7	11,000.1
2012	1266	13,013.0	10,460.0
2013	1275	21,628.0	11,500.0
2014	1843	21,920.0	12,500.0
2015	2013	22,757.0	14,500.0
<i>TOTAL</i>	21014	307,705.9	139,106.9

Source: (General Statistics Office 2016: 173)

¹² Unit in million dollars

FDI inflows to Vietnam over the last 25 years can be divided into four main periods, as set out in the reports of Vietnamese government, as is evident for example in a typical research by Nguyen Thi Tue Anh et al. (2006), which is the basis of the following section.

1. 1988-1996: this period can be called a period of discovery and belief. Vietnam started to open up to foreign investment through the promulgation of the first law on foreign investment in 1987. This guideline paved the way for foreign investors to enter Vietnam, although Vietnam attracted very little inward FDI in the 1980s and the first years of the 1990s, with the total capital registered being just around \$160 million in 1990. It increased sharply in later years and ‘reached a peak of nearly \$9.6 billion in 1996’ (Nguyen, Vu et al. 2006). This increase resulted from foreign investors’ interest in the potentials of an economy in transition with an unexploited market, an abundant workforce with low wage rates and with FDI being a priority for local authorities.

2. 1997 to 2000: this period saw a sharp decline in FDI inflows to Vietnam. Registered capital decreased by 49 per cent in 1997, 16 per cent in 1998, and 59 per cent in 1999 (Foreign Investment Agency 2007). ‘Newly licensed capital decreased on average at 24 percent per annum, while implemented capital went down more slowly, by 14 percent per annum on average’ (Nguyen, Vu et al. 2006: 6). This decline mainly resulted from the impact of the Asian financial crisis. The five biggest investor countries in Vietnam came from the Asian region and all of them faced difficulties with domestic production and circumstances. In order to keep stable production in their domestic businesses, the investors sometimes cancelled or delayed overseas expansion plans, especially in Southeast Asian countries. The devaluation of the currencies of Southeast Asian countries as a consequence of the Asian financial crisis also affected investment. Moreover, ‘the unattractiveness of Vietnam’s investment environment is related to other countries in the region, especially to China’ (Nguyen, Vu et al. 2006: 6). Vietnam could not compete with China on these aspects at this time. Thus, all these factors contributed to the poor FDI figures in this period.

3. 2001 to 2008: this period was one of recovery and development. Although the world economy coped with some difficulties and challenges, such as the dotcom crash in the early 2000s, the annual FDI inflows to Vietnam increased rapidly. The period 2001-2005 saw an added increase of invested capital by \$7,08 billion - over 18 per cent higher than the planned targets, and an increase of 69 per cent in comparison with five

years before (Foreign Investment Agency 2008). In the year 2006-07, FDI inflows to Vietnam grew sharply and reached a peak of over \$71 billion for total registered capital in 2008 (Table 3.1). With these results, 2008 was a top year of FDI inflows to Vietnam and it was a top destination for foreign investors globally.

4. 2009 to 2015: this was another period of reduced FDI inflows to Vietnam. The amount of registered capital decreased to approximately \$23 billion in 2009, \$20 billion in 2010, and \$16 billion in 2011 (see Table 3.1). While this downturn was clearly partly due to the Global Financial Crisis there were also country specific reasons for it. According to the Vietnam Chamber of Commerce and Industry (VCCI), the decrease of FDI inflows to Vietnam in this period resulted from the weakness of the supporting industries¹³, the poor quality of infrastructure and the complex administrative procedures in Vietnam for investment. In 2011, Vietnam experienced the highest rate of inflation in the region at 23 per cent, which further strongly influenced competitive prices (VCCI 2013). However, other assessments still ranked Vietnam as an attractive destination for future investments and it ‘remains one of the most popular destinations for expansion within the ASEAN region according to ASEAN Business Outlook Survey by AmCham and Singapore Business Federation’ (World Bank 2013). This attractiveness was apparent as FDI inflows to Vietnam recovered from 2013 so that the amount of registered capital again reached over \$20 billion in 2015.

Some characteristics of FDI in Vietnam

Project scale: FDI projects in Vietnam are generally of a small or medium scale. The average capital size grew gradually through the different periods. The average capital size per project in the period 1988-1990 was \$7.5 million. This increased to \$11.6 million in 1991-1995 and \$12.3 million in 1996-2000. The scale of registered capital per project was reduced to an average of \$3.4 million in the period 2001-2005. However, this number rose back to \$14.4 million in 2006 and 2007 (Foreign Investment Agency 2008). The scale of FDI projects expanded when MNCs were present in the period 2008-2011, including organisations such as Intel, Compel, Piaggio and Samsung. However, these scales only slightly increased after that until 2015.

¹³ Supporting industries (SI) is a term referring to a group of industrial activities that supply intermediate inputs (neither raw materials nor finished products) to industries in the downstream. In other words, SI is situated in the middle of the vertical production flow from upstream to downstream (Ohno 2005).

Investment division by sector: FDI inflows were mainly invested in the industrial sector, which is prioritised by the Vietnamese government demonstrating its developmental mindset and strategy. As depicted in Table 3.2, FDI in manufacturing occupied more than a half of total number of projects and registered capital. This is usually considered to mean that FDI contributes more effectively to economic growth by increasing industrial production, but it also tends to suggest increased damage to the environment. Such FDI is seen to be more easily affected by economic crisis or downturn, as it tends to focus on export activities (Nguyen, Vu et al. 2006: 8). Meanwhile, the other sectors such as tourism, service, or education, which are often regarded as bringing long term value and more stable investment, did not have many projects or much registered capital.

Table 3.2 Foreign direct investment projects licensed by kinds of economic activity.
(Accumulation of projects having effect as of 31/12/2015)

	<i>Number of projects</i>	<i>Total registered capital (Mill. USD)</i>
Agriculture, Forestry and Fishing	493	3,263.0
Mining and quarrying	78	3,182.0
Manufacturing	8,072	105,938.7
Electricity, gas, steam and air conditioning supply	87	7,488.9
Water supply, sewerage, waste management and remediation	28	1,234.2
Construction	936	10,052.0
Wholesale and retail trade; repair of motor vehicles and	902	2,898.3
Transportation and storage	350	3,492.8
Accommodation and Food service activities	331	10,605.8
Information and communication	828	3,941.7
Financial, banking and insurance activities	76	1,321.7
Real estate activities	388	49,760.5
Professional, scientific and technical activities	1,336	1,101.5
Administrative and support service activities	114	193.3
Education and training	163	462.9
Human health and social work activities	82	1,222.2
Arts, entertainment and recreation	137	3,629.2
Other service activities	121	732.9
TOTAL	14,522	210,521.6

Source: (General Statistics Office 2016: 174)

FDI inflow by country: as depicted in Table 3.3 below, by the end of 2015, most of the biggest investors in Vietnam came from the Asian region. South Korea was the number one investor with over 5,500 valid projects and total registered capital of over \$50 billion. Japan ranked second with 3,242 valid projects and more than \$40 billion registered capital. This was followed by Singapore, Taiwan and Hong Kong. Thus, Asian countries were dominant in term of FDI projects and registered capital, while European and North American investors were very modest and fractional.

Table 3.3 Foreign direct investment projects licensed by main counterparts

(Accumulation of projects having effect as of 31/12/2015)

<i>Number of projects</i>		<i>Total registered</i>
<i>Of which:</i>		
<i>Korea Rep. of</i>	5,500	50,000.0
<i>Japan</i>	3,242	42,000.0
<i>Singapore</i>	1,600	36,280.0
<i>Taiwan</i>	3,197	24,816.0
<i>British Virgin Islands</i>	510	15,386.4
<i>Hong Kong SAR (China)</i>	705	14,966.7
<i>Malaysia</i>	523	13,400.0
.....
<i>TOTAL</i>	14522	210521.6

Source:(General Statistics Office 2016: 175)

Investment division by location: FDI projects are allocated unequally across the provinces of Vietnam. Most projects are in either the central regions of the North and South of the country. Within each region, FDI was focused in some main provinces. For instance, as illustrated in Table 3.4, for the North, in Hanoi and Vinh Phuc province the total projects were higher than total of all other provinces in the Red River Delta, northern midlands and mountain areas, central and central coastal areas, and central highlands. In addition, registered capital is also allocated unevenly in different areas. The southeast area around Ho Chi Minh City is the largest beneficiary as the total registered capital was more than \$99 billion in 2012, occupying a half of total registered capital of other areas.

Table 3.4 Foreign direct investment projects licensed by province

(Accumulation of projects having effect as of 31/12/2015)

<i>Number of projects</i>		<i>Total registered capital (*) (Mill. USD)</i>
<i>Red River Delta</i>	4,034	48,753.7
Hà Nội	2,456	21,205.6
Vĩnh Phúc	148	2,466.9
-----	-----	-----
<i>Northern midlands and</i>	375	4,106.5
Bắc Giang	101	1,668.8
Phú Thọ	79	454.9
-----	----	-----
<i>Central and central coastal areas</i>	879	44,386.0
Đà Nẵng	239	3,684.0
Quảng Nam	79	4,984.2
-----	-----	-----
<i>Central Highlands</i>	137	811.2
Lâm Đồng	112	487.5
Gia Lai	12	85.7
-----	-----	-----
<i>South East</i>	8,273	99,002.7
TP. Hồ Chí Minh	4,337	32,403.2
Bình Dương	2,246	17,969.3
-----	-----	-----
<i>Mekong River Delta</i>	775	10,707.9
Long An	464	3,520.3
Tiền Giang	51	1,072.7
-----	-----	-----
<i>TOTAL</i>	14522	210521.6

Source: (General Statistics Office 2016: 176-177)

Contributions of Foreign Direct Investment in Vietnam

The presence of FDI in Vietnam demonstrates the change toward an ‘open door’ policy. FDI has spread into a range of economic sectors including domestic invested sources, which has created competitive pressures and promoted renovation and technology transformation. It has contributed to Vietnam joining in global value chain production. Vietnam has become a destination of top international corporations such as British Petroleum (BP), Total, Toyota, Canon, Samsung, Intel and Unilever. The positive view of the government about the contributions of FDI to the country was clear in a speech by the Minister of Planning and Investment at a national meeting on 25 years of FDI in Vietnam:

In the first stages of implementing the ‘open door’ policy, foreign investment contributed effectively to Vietnam’s economic growth, bringing Vietnam out of the difficult embargo status... In the next period, foreign investment will continually play an important supported capital source; contributing to structural change in the Vietnamese economy; enhancing productivity; transforming technology; connecting to global markets; increasing export turn-over; improving foreign balance; and so on (Bui 2013: 5).

FDI is strongly perceived to have contributed significantly to economic growth. The contribution rate of this sector to GDP has increased from 2 per cent in 1992, to 12.7 per cent in 2000, 16.98 per cent in 2006, and 18.97 per cent in 2011 (Dao 2013: 9). Further, foreign investment is seen to have promoted structural economic changes promoting industrialisation in the country. Foreign investment focused mainly on the industrial and construction sectors, and it has contributed to increasing the growth rate of this sector by 18 per cent per year (while the GDP annual growth rate was about 7-8 per cent). Indeed foreign investment has created nearly 45 per cent of total industrial production. It contributed to establishing some major industrial branches such as telecommunications, natural resource exploitation, oil processing, electronics, information technology, steel, and cement (Dao 2013: 10). Foreign investment has also been important ‘bridge’ to technology transformation and it helped to enhance the technological level of the national economy. FDI sped up competitive capacity at three levels: national, company and production. Finally, foreign investment is perceived to have contributed to enhancing the nation’s capacity for economic management, improving the business environment and promoting international integration.

3.3. Literature review on FDI inflows to Vietnam

Although the issue of foreign direct investment in Vietnam has only emerged in recent decades, this issue has attracted the interest, not only of politicians and business persons, but also of researchers. This section examines research related to the role that FDI has played in developing areas like human capital and trade, knowledge transfer and technology spillovers. Next, it reviews research about the impacts of the liberalisation of trade, investment regimes, and market-based decisions in reaping developmental gains in Vietnam in the context of ‘an economy in transition’ (Delaunay and Torrisi 2012). Then, it reviews research about the linkages between corruption and FDI, and the relationship between the quality of governance and number of licensed FDI projects in Vietnam (Gueorguiev and Malesky 2012; Pereira 2013). These reviews provide a fruitful picture of literature on FDI inflows to Vietnam in general.

There has been debate about the contribution of FDI to the Vietnamese developmental mindset and policy as well as to economic development. Scholars generally agree that it has played a very positive role in Vietnamese economic development (Athukorala, Prema-Chandra and Tran, Quang Tien 2012; Bui 2013; Do 2016). For example, research by Do (2016) analysed FDI’s contribution to Vietnam’s development. According to the author, the FDI sector contributes significantly to the value of export turnover. The export share of the FDI sector to the total export turnover has averaged 30.7 per cent annually and in the period from 2007 to 2015 it contributed 42.1 per cent.

The FDI sector also contributes to the process of economic restructuring, industrialisation and modernisation. The FDI sector occupies 100 per cent of production of industrial products such as petroleum, automobiles, washing machines, air conditioners, refrigerators, and electronics, as well as 60 per cent of steel rolling; 28 per cent of cement; 33 per cent of electric and electronic machinery and equipment and 25 per cent of food and beverages (Do 2016). Thus, it is clear that the FDI sector has really become a part of the Vietnam’s developmental economic strategy. FDI has contributed to the success of economic reform and played an indispensable role in creating the present face of Vietnam’s economy today. Specifically, the benefits of attracting FDI have included: reducing the impacts of the domestic capital shortage; acquiring technology and management know-how; increasing the number of jobs and providing workforce training; increasing revenue for the budget; facilitating joining in global production networks; and promoting economic institutional reform (Do 2016).

The limitations of attracting FDI are also identified and analysed in the literature. The engine of FDI is to seek maximum profit and firms will leave if they do not find favourable conditions in the host country. Furthermore, some of the reasons for luring FDI are not, in fact, easy to acquire such as technology transfer, workforce training, and management know-how (Do 2016). Therefore, achieving inclusive and sustainable growth in line with Vietnam's developmental strategies (Pham 2014), can be difficult in the context of high levels of FDI.

There has been a lively debate about the spillover impacts of FDI on domestic exports. Vo Tri Thanh and Nguyen Anh Duong (2011) provided an in-depth analysis of the spillover effects of FDI on Vietnam's exports. They showed that exports were increased and stimulated by FDI inflows. They emphasised the role of FDI inflows in stimulating export growth, and found that 'the benefits of FDI to exports prevail long after such inflows take place in Vietnam', as well as noting that there have been positive spillover effects from FDI on the exports of domestic enterprises (Vo and Nguyen 2011: 128-129). According to these authors, domestic enterprises acquired 'more advanced technology', 'management skills', and skilled labour that had previously worked with enterprises with foreign investment. They saw this as contributing to improving their competitiveness in general and exports in particular (Vo and Nguyen 2011: 127; Tran 2011: 132). Vo and Nguyen (2011) are also persuaded that FDI has positive spillover effects on the exports of domestic enterprises, yet Tho considered these assessment 'optimistic' and he showed that 'the linkage effects of FDI on local firms have been weak' (Tran 2011: 133). Agreeing with Tho, Kenichi Ohno (2011: 135) argued that Thanh and Duong had 'no convincing evidence' in term of 'the positive effects of FDI on the exports of local firms.' Ohno found that although the local firms could learn and were impacted by pressures from FDI firms, unfortunately the fact is that 'both channels appear thin in Vietnam as many industrial surveys and testimonies by local and foreign businesses indicate' (Ohno 2011: 135). This debate highlights the complexity of understanding the impact of FDI on the domestic sector's dynamics and exports.

Thu Thi Hoang et al. (2010) found that the limited 'level of human capital' was a weakness, limiting the take up of advanced technology. In other words, they found that the advanced technology was not yet applicable to Vietnam. According to Hoang et al. (2010: 301), the growth of capital stock could be treated as a key channel for 'the

positive effect of FDI on economic growth.’ They concluded that ‘the additional capital from FDI inflows is the only channel that helps increase economic growth in Vietnam’ (Hoang, Wiboonchutikula et al. 2010: 308). The key goals of attracting FDI to Vietnam are technology and knowledge transfer, but to an extent, these seem to be not fully reached, even spillover impacts appear weak. Hence, this raises a question about the state’s developmental strategy around luring foreign direct investment.

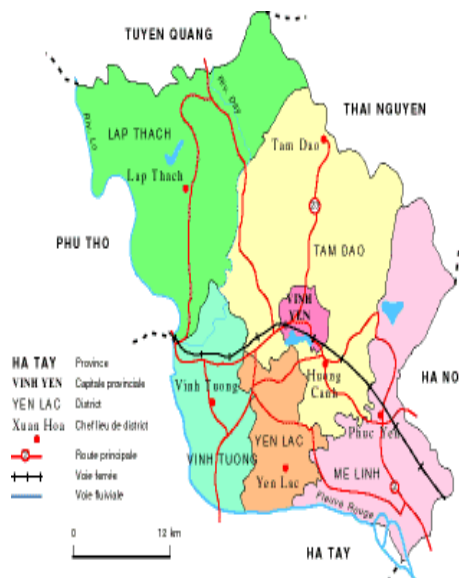
Research by Delaunay and Torrisi (2012) and Athukorala and Tran (2012) explored the impact of FDI on Vietnam emphasising an economy in transition. After describing and analysing different features of FDI development in Vietnam, these studies concluded that FDI had strong impacts not only on promoting the liberalisation of trade and the liberalisation of the investment regime but also on promoting market-based decisions, which they saw as reaping developmental gains in Vietnam (Athukorala and Tran 2012: 461). Athukorala and Tran also emphasised the special role of FDI in revitalising the private sector, and in so doing, it contributed to a process of transformation in Vietnam from ‘the plan to market’ or from ‘central planning to market orientation’ (Athukorala and Tran 2012: 447). Therefore, this analysis indicates that FDI facilitates a move to market-based economic management and hints that a strong FDI sector might start to have its own priorities, of which the state may not be in control.

A study of the impact on state governments of FDI in Vietnam found that there was ‘a positive significant relationship’ between the ‘quality of governance and number of licensed FDI projects’ in the short term but there was ‘no significant relationship’ in the long-term (Pereira 2013: 292). The research investigated a 20 year period from 1991 to 2011 and asserted that the good Vietnamese state governance in the decade from 2001 to 2011) was ‘a positive influence’ on increasing the number of FDI projects (Pereira 2013: 297-298). Good governance here was judged through largely neoliberal indicators of state management such as: ‘reduced import tariffs;... liberalising the foreign investment regulations; lifting of the ownership cap with international joint ventures and the ability for MNCs to create 100% foreign owned companies within the country’ (Pereira 2013: 294). In contrast, indicators of weak state management were listed as ‘inflation, corruption, lengthy administrative and contradictory procedures, poor infrastructure, real estate, weak banking system, and SOE preference.’ These are treated as bad governance and which are seen to create obstacles for luring FDI (Pereira 2013:

294-295). These considerations are analysed through a specific case study in the next section. Most existing studies discuss the role of FDI in Vietnamese economic growth and there is very little analysis of the linkage between Vietnamese developmental state strategies and FDI.

3.4. The Case of Vinh Phuc Province

An introduction to Vinh Phuc Province



Map of Vinh Phuc province separately and its location in the map of Vietnam

Vinh Phuc was re-established as a province in 1997. It is a relatively small province in terms of its area, which is 1,236 square kilometres and the population estimate in 2016 was 1.066.021 (Vinh Phuc Statistics Office 2016: 37). However, despite its small size, Vinh Phuc is one of the main centres of economic development in the North of Vietnam. It is located beside Hanoi, the capital of Vietnam, and is treated as a bridge between the Northwest provinces and Hanoi and Red River Delta provinces. Vinh Phuc plays an important role in the economic development of the northern region and the nation.

With advantages from economics and geography, Vinh Phuc has achieved rapid development. Economic growth has increased rapidly and the average increase in GDP

over the 15 years 1997 to 2011 was an extraordinary 17 per cent per year (Vinh Phuc Government Portal 2013). Concomitantly, its economic structure changed, increasing the density of the industrial and service sectors and reducing agricultural density. Vinh Phuc has long been in the top ten provinces of industrial production in terms of the actual value, budget inputs, and provincial competitiveness index (Vinh Phuc Government Portal 2013).

In a letter of reference, Mr Phung Quang Hung, Deputy Provincial Party Committee cum Chairman of Vinh Phuc People's Committee demonstrates the role that FDI plays in the province's and Vietnam's developmental mindset. He stated that the province's successes:

...have been contributed to by investors and enterprises in the provincial area. Vinh Phuc always seeks to improve the invested environment such as enhancing the provincial competitive capacity; marking the boundaries of industrial zones and land clearance; developing infrastructure; and training human resources. Further, Vinh Phuc focused on administrative procedural innovations by implementing a one stop shop mechanism and improving the time taken for difficult procedures for enterprises, in order to make the best conditions for investors and business in the provincial area (Phung 2013).

The Amount and Level of FDI in Vinh Phuc Province

The brief depiction below highlights the major features of FDI in Vinh Phuc in specific time periods.

1997-2000: the Law on Investment was implemented in Vietnam in this period. Because the province was only just re-established, provincial social-economic foundations were weak and experience in investment promotion was limited. In addition, the Asian financial crisis (1997-1998) negatively influenced FDI. Therefore, the province attracted only 11 projects in this period and a total registered capital of \$270.8 million. However, some big projects were licensed such as Honda, Toyota, Nissan, Japfa Comfeed and Inoue and these projects set the foundation for provincial development (Vinh Phuc Industrial Zones Management Board 2012: 2).

2001-2005: Vinh Phuc established an industrial zone management board in December 2003. That has been a crucial office for FDI management and has created administrative

and procedural innovation. At the same time, Vinh Phuc improved the investment environment and infrastructure and implemented priority policies for FDI areas. As a result, the number of FDI projects and registered capital increased dramatically. In 2005, Vinh Phuc ranked fifth for provincial competitive capacity and the eighth in investment attraction. This period attracted 63 projects with the total capital registered of \$713.6 million (Vinh Phuc Industrial Zones Management Board 2012: 2-3).

2006-2010: a new investment law and the Law on Enterprises were implemented in 2005, accompanied by government decrees which created a judicial framework for foreign invested operations. At this time, the provincial infrastructure and the environment for investment were further improved. As a result, in the period 2006-2010 Vinh Phuc reached a peak of foreign investment attraction, with an average of 20 projects a year being approved. The total number of FDI projects in this period was 106 and the total registered capital was \$2,055.8 million (Vinh Phuc Industrial Zones Management Board 2012: 3-4). Some big projects invested in Vinh Phuc at that time were Compal Corporation, Piagio and Samsung Corporation.

In 2011, the international and domestic economy stagnated, increasing market prices and the price of input materials. Further, high interest rate from domestic banks had an impact on provincial FDI attraction. Therefore, the province attracted only ten projects with the total registered capital of \$151.44 million (Vinh Phuc Industrial Zones Management Board 2012: 4). The implemented capital in this period was mainly focused on the expansion of old projects such as Honda, HJC, Piagio, Jahwa and Micro Shine. By November 2015, 26 new foreign investment projects were licensed with total of \$264.37 million, and the province permitted 23 existing projects to add \$155.13 million to their capital. The province has so far attracted a total of 202 FDI projects with a combined registered capital of some \$3.2 billion (VLLF 2015).

Characteristics of FDI in Vinh Phuc Province

Investment division by sector: FDI projects focus mainly on the industrial sector with 116 projects or 97 per cent of projects and 96.5 per cent of invested capital focused on this sector by the end of 2011. There were only three projects in the agricultural-forestry sectors with an invested capital of \$79 million (Vinh Phuc Industrial Zones Management Board 2012: 4-5)

Investment by forms of investment: Most FDI projects in the province were 100 per cent foreign capital ones. Among 119 projects, 104 were 100 per cent foreign invested projects with the total capital of \$1,668.83 million by the end of 2011. There were some joint venture companies including 12 projects with a capital of \$558.12 million. The remaining investments were in the form of joint stock companies (Vinh Phuc Industrial Zones Management Board 2012: 5)

Investment division by location: Vinh Yen city is the site of 60 of the 109 projects with a total registered capital of \$399.7 million. The second location is Binh Xuyen District with 46 projects and a total registered capital of \$1,378 million (Vinh Phuc Industrial Zones Management Board 2012). These two sites are a magnet for many projects because large industrial zones (Khai Quang, Binh Xuyen, Ba Thien, Binh Xuyen II, Ba Thien II) have been built in these locations. Further, these sites have a favourable investment environment in comparison with other sites thanks to the concentrated labour supply, ability to provide services for production, and the capacity to meet business and personal demands through services such as postal telecommunication, finance, banking, infrastructure, electricity, drainage system. Thus, it can be seen that the locations for investment were not evenly spread across the province, but rather there has been a concentration in the centre of it.

Investment division by investors: up to 2011, Vinh Phuc attracted projects from 12 countries and territories from Asia, Europe, America and Africa. Most partners were from Asian countries. For example, Taiwan had 42 projects (registered capital \$1,211 million), Korea with 41 projects (\$241.18 million), and next was Japan with 18 projects (\$660.7 million). Investment from other countries was minor, though in 2012 Vinh Phuc lured one project from Italy worth \$45.0 million and one French project valued at \$14.0 million (Vinh Phuc Industrial Zones Management Board 2012).

Views on the Challenges for Local Government

Looking at the general picture of FDI in Vinh Phuc, FDI has been a major contributor to a change in the face of the province in recent decades. As noted above, the province's GDP increased an average 17 per cent per year over 15 years (1997-2011) a clear outcome of the contribution from FDI. However, the province's industrial and FDI

achievements have also brought several insoluble problems of governance. These have included (1) the provincial budget's dependence on FDI; (2) challenges to provincial governance regulations; (3) cadre's capacity; (4) environmental pollution; (5) land clearing; and (6) managing the impact on local social and economic security. This section explores perceptions about these challenges and about the overall role of FDI in development as reflections of local developmental mindset based on data collected from a series of interviews with key Vinh Phuc officials.

Interviews were conducted with six people in Vinh Phuc. The interviewees were:

- Mr Nguyen Binh Khuong, Head of Division, the Foreign-Economic Office, Planning and Investment Department, Vinh Phuc People's Committee;
- Mr Khong Thanh Cong, Vice Director of the Industrial Zones Management Board, Vinh Phuc People's Committee;
- Mr Nguyen Manh Doan, expert of the Foreign-Economic Office, Planning and Investment Department, Vinh Phuc People's Committee;
- Mr Phan Tien Dung, official of Foreign Economic Division, Planning and Investment Department Vinh Phuc People's Committee;
- Mr Nguyen Duy Hieu, Head of Division, the Labour, Employment and Social Insurance Office, Department of Labour, Invalids and Social affairs, Vinh Phuc People's Committee; and
- Mr Do Minh Duc, Senior Officer of Vinh Phuc Committee's Office, and consultant for the Chair and Vice-Chair of Vinh Phuc People Committee.

Respondents were asked about the difficulties that Vinh Phuc faced with the impact of FDI on provincial governance. These areas are each discussed in turn below.

1. Developmental role of FDI

The local leaders recognised that the province's economy in general, and the province's budget, in particular, had been strongly reinforced by the FDI sector. Yet Cong -Vice Director of the Industrial Zones Management Board, equally explained that, over the years, if Vinh Phuc was not the recipient of FDI, it would not have developed like it has. Further, given low domestic investment, the choice for foreign investment has been seen as necessary. Foreign investment and private investment have been regarded as decisive factors for development. On the other hand, foreign investment is very

sensitive to the policies of the central government, such as the policies on taxes, imports and exports, tariffs, regulation of the localisation rates of production and luxury goods consumption. He said;

We all know that foreign investment is very sensitive and Vinh Phuc's economy depends much on these factors, on Toyota and Honda. When these two enterprises did not reach planned targets of car and motorbike sales, the provincial growth was at its lowest level. I remembered that in 2008-2009, the beginning of the crisis, the growth rate was minus, because the foreign investment was deficient in production.

2. The dependence of provincial economy on FDI

The Vinh Phuc economy and the provincial budget are now reliant on FDI which contributed 39.9 per cent of the province's GDP in 2011 (Vinh Phuc Industrial Zones Management Board 2012: 9). Mr Khuong, head of Foreign-Economic Division - Planning and Investment Department, was interviewed for his insights on this issue. This office is responsible for monitoring and managing foreign investment in Vinh Phuc, so not surprisingly, there was a strong awareness of the issue:

Frankly, the statistics which I have mentioned indicate FDI's immense effectiveness but everything has two sides for us to consider. It means that Vinh Phuc province's economy depends too much on FDI, in detail, FDI accounts for 80 per cent of provincial industrial production values, 85 per cent of export turnover. Toyota and Honda contribute 80 per cent of FDI.

Looking at the above rates, Khuong judged that the economy has not been sustainable. For example, in 2011, Vinh Phuc expected to receive \$700 to \$800 million to the provincial budget. But, policies for car registration, traffic fees and so on, were changed and the sales of Toyota and Honda reduced and the province did not gain as much enterprise income tax. As a result, the province's budget attained just 70 per cent of the target income. That is why it is humorously said that 'If Toyota and Honda were infected with a runny nose or a headache, Vinh Phuc would suffer a major disease.'

Mr Khong Thanh Cong was interviewed because his agency's functions are governance of the investment in industrial zones in the province, and solving problems during the implementation of investment projects in the zones. When asked about the challenges from foreign investment, Cong answered:

It can be said that Vinh Phuc's economy depends a lot on foreign investment. The increase in foreign investment decides the development of Vinh Phuc. In Vinh Phuc, there are two periods which were strongly affected by FDI; it was 1999 and 2012, due to the economic deficiency and macro policy, and so on.

From these interviews, it can be seen that the provincial leaders perceive that the provincial economy's on FDI posed some dangers. Both these interviewees confirmed that provincial growth was still highly dependent on the outcomes of the foreign investment sector. Further, they saw that it may lead to problems in the future. For example, Cong noted that:

There is competitiveness among national localities, among nations in the region in luring foreign investment because investors only invest in what is favourable for them, if not, they leave. When the provincial economy depends much on them, what can we face if they leave us? This is the question which needs to be answered in the future.

Khuong also noted that the province had long identified the need to develop its economy more sustainably and there have been a range of research projects looking at restructuring investment. The conclusions and recommendations of these projects have been that the province should not depend as much on industrial projects, because these can be more easily affected by economic crisis or changes in the market. This indicates a clear developmental mindset beyond FDI. In the early 2010s, the province focused on big, standard industrial projects, and then projects in the areas of services especially tourism and healthcare, in order to increase the presence of the services and tourism sectors in economic system. Khuong asserted that industrial FDI would promote initial accumulation of capital and that thereafter, the province must aim to 'stand on our own two feet', that it is necessary to develop local companies. Developing internal forces is perceived to keep the provincial economy more sustainable, because foreign companies only invest in relation to the overall investment environment and their commercial strategy. If there is a benefit they come, such as the low price of labour and easy access to land, but if these prices increase they will say good bye. Thus, these two interviewees, who are provincial leaders, perceive that there is a greater danger of losing independence from the FDI sector than from domestic investment and that this sector needs to be built. This demonstrates the existence of a clear developmental mindset at

the provincial level. They consider, with some grounds, that the province's economy will face major challenges if an economic crisis occurs or investors pull out.

3. Challenges to provincial governance regulation

The local government's regulation system is connected to local state power. If the policy system is weak and confused due to external factors, local state power would be weakened. In Vinh Phuc province, Mr Nguyen Manh Doan, expert of the Foreign-Economic Office, said in an interview that Vinh Phuc's principal policies in FDI management must comply with, and implement the state's decrees, laws and regulations such as investment law and the Law on Enterprises. Implementing these laws brings challenges. For example, a foreign investor must have an investment project, then the investment licence is issued, but, at the same time, the business licence must be issued, except in the case that enterprise already has legal status in Vietnam. Further, it is regulated that if a foreign organisation or individual wants to invest in Vietnam by buying the stock of a firm or contributing capital to a domestic enterprise, it is compulsory to have a bank account in a Vietnamese bank and that all payments be made through this bank. This makes it difficult for enterprises, because there are two kinds of investment. The first kind is real, long-term investment, whereas the second is speculative investment, when the shares are bought at a cheap prices and sold when prices are high on the stock market. Experience has shown that with this kind of speculative investment, investors will not have the full amount of money. Indeed, in some cases, investment projects are fictional. Yet, the assessment capacity of the localities can be weak, so that, although the investment money have not reached to province, the licences are still issued. The result is projects that are just on paper, which in turn creates difficulty in FDI management.

Again, it is clear that local authorities recognise these developmental challenges. Mr Phan Tien Dung, official of Foreign Economic Division, talked about shortcomings in foreign investment management:

...similar to the common difficulties nationwide, FDI in Vinh Phuc encounters some challenges. First of all, some of the investment law systems and policies are not comprehensive or clear. For example, the procedure of issuing licences for reinvestment is not regulated with details about the sequence of land paperwork, construction environment, capacity to meet the requirements of the

inspection of projects, enterprise liquidation, project termination, withholding the licence. Some problems arise out of the regulations, for example, the case of foreign investors who flee the province, leaving unpaid debts.

Dung provided more details about the shortcomings of regulation, where for instance, the policies for FDI enterprises are not stable. Enterprise's income tax, import taxes, export taxes and land use tax are not synchronous among different periods. Such asynchrony can create difficulties related to the investment incentives for enterprises. Further, sanctions are not strong enough to deal with the projects that are delayed, make slow progress, or arbitrarily cease investment. Many sanctions for cases where laws are broken are not transparent and legislation is not strict, leading to a series of problems without solutions such as transfer pricing and false losses, resulting in the loss of revenue for the state.

Foreign enterprises usually use professional legal assistance, and they try to take advantage of the local law's gaps and loopholes. Such activity challenges local governance. For example, Mr Do Minh Duc, who is involved in issues of social economic security claimed:

Since Vinh Phuc has expanded its relationship with the foreign partners and besides the dynamic stimulation for economic growth, signs of losing security appeared. The provincial economic police forces have to have the enforcement capacity to meet the new requirements. As you know, the foreign corporations invested here, they own judicial consultation divisions and they have a good comprehension of Viet Nam's laws, they find the ways to evade taxation or other various forms, they take advantage of the loophole in the law in order to take profits.

Thus, promulgating a comprehensive and transparent policy and implementing it, in order to ensure there is effective management of the foreign investment sector, is an essential requirement for local government and one that is still creating challenges for the national state in general and local government in particular. What is clear here is not only that the provincial officials have a strong grasp of, and concern with, such issues, but also it demonstrate how a developmental mindset has permeated provincial governance.

4. Cadres' capacity

This plays an important role in managing the FDI sector and low capacity can limit the ability of provinces to effectively promote and manage FDI. While almost all foreign enterprises come from developed countries and have professional management and skills in strategic thinking, the management capacity of provincial cadres is considered not adequate for sectoral management. The lack of capacity limits their ability to effectively regulate the foreign investment sector. As Mr Nguyen Manh Doan claimed:

As you know, the foreign enterprises are more professional than the provincial management departments. In order to manage these enterprises, in my opinion, it is very difficult, for instance, to audit their finance reports and contracts, and investors take advantage of our law's gaps and they use loopholes in the law.

Adding more detail about the provincial cadres' lack of capacity in managing the FDI sector, Cong explained that the staff in this field are not only weak in foreign languages, and in their knowledge of the law but also they have little understanding of international integration knowledge, international regulations (such as the WTO), international commitment and international conventions. Cong asserted that: 'there is a lack of a workforce of cadres who work only at the provincial level, mainly in the industrial zone, not in district level. Consequently, the force is weak and unprofessional'.

Furthermore, Cong also affirmed that the qualifications of these cadres were not adequate, resulting in some problems such as losing benefits by not understanding about transfer pricing.¹⁴ It remains difficult for cadres to judge the adequacy of transfer prices, which many enterprises use to claim losses. Cong stated:

In the province, no enterprises have been detected or proved as using transfer pricing. The reason is that the information about foreign markets and the input information in order to evaluate a project correctly are still inadequate. The cadres are incapable of evaluating the investor's capacity. Consequently, there

¹⁴ When one part of a MNC in one country transfers (that is, sells) goods, services or know-how to another part in another country, the price charged for these goods or services is called the transfer price. For example, when a Vietnam-based subsidiary of Honda buys something from a Japan-based subsidiary of the company, the price for this transaction is transfer pricing. Transfer pricing is often used by multinationals to maximise their profits by tax avoidance and by obtaining tax rebates.

are problems in management after these enterprises come into operation, affecting the budget inputs negatively.

Thus, the weakness and lack of provincial cadres' capacity is a challenge for provincial government in managing the FDI sector but it is an issue that is recognised. Thus building capacity in managing the foreign investment sector through provincial cadre programmes will be key to promoting the developmental mindset into the future.

5. Managing environmental pollution in and near industrial zones

The land for Vinh Phuc's industrial zones was established by clearing agricultural land, so, there are many villages and fields in the vicinity of industrial zones. Once the factories and companies in industrial zones were up and running, the effects of environmental pollution could not be avoided. This thesis takes a broad perspective on the developmental state incorporating social and environmental concerns, thus the response to this challenge is yet another way to view developmentalism. As Nguyen Kien Dung et al. (2013) explained, the whole of Vinh Phuc is like a big construction site resulting from industrialisation and urbanisation. In terms of pollution, the management of industrial zones did not address solid waste or wastewater production in their establishment phase and most of the companies have released wastewater directly into the environment. The environment in Vinh Phuc has meet 'serious challenges' and environmental pollution is a concern (Nguyen, Cao et al. 2013). This is a challenge that is axiomatic in the processes of industrialisation, but large scale FDI, as is the situation in Vinh Phuc, adds greatly to the timeframe and scale of the challenge for the province. It can lead to challenges to state governance when local citizens become disaffected with poor environmental standards. That is reason why Vinhphuc's People Council promulgated the resolution 57/2016/NQ-HDND¹⁵ that ignored big industrial and pollution projects and only gives supports and priorities for FDI projects in the field of education, health, and culture (Vinhphuc Poeple Council 2016)

6. Land clearing: designing and undertaking land clearance in order to fit with a plan for luring investment are big challenges for provincial governance. Mr Nguyen Manh Doan explained:

¹⁵ The resolution is about 'some special methods in luring investment and supporting enterprises in the provincial area'.

We created favourable investment environment for investors like large land sizes, favourable mechanism, etc. but what we got from them is not as much as our efforts, and whether we can lure enough investors in the zone, or the plan of investment attraction is not approved but the land is cleared away already (when the land is cleared away, we cannot do anything there, just waiting for investment, but nobody invests, what can we do then?). Therefore, the consequences after the land clearance relating to the issue of accommodation, employment for the relocated residents, etc. are pressing.

Thus, land clearing is recognised as a challenge to state power and development plans in part because of the need to achieve a balance between attracting investment and effectively solving demands for relocated residents. For example, in Ba Thien Industrial Zone, one of largest zones in Vinh Phuc province, 327 hectares were cleared from 2007. By the end of 2014, there was only one factory, that of the Compal Corporation with an area of nearly 100 hectares. The rest was wasteland with people tending to dump construction waste there (Tan and Tuan Dung 2015). Tan and Dung interviewed Mrs Vu Thi Tram, who lost some of the land that went to the industrial zone. She said with despair: ‘in the past, this is the field of "fat land", since the province recovered land for the industrial park and the lands were levelled and deserted, our farmers still ache!’ According to Tram, because they lost their livelihoods with the creation of the industrial zone, her family as well as many other families had expected the industrial zone to be operating at a high capacity in order to create jobs for rural youths around it. Tram had also said that she hoped this would promote the development of services in the region too, (Tan and Tuan Dung 2015). Yet this has not occurred. The combination of land acquisition and the failure to produce jobs is likely to undermine confidence in the state.

7. The impact on social-economic security

Regarding the social order and security, assembling a large numbers of workers from other locations into industrial zones and groups has created challenges to social order and security. Most workers get rental accommodation from local households around the industrial zones and that, along with the large number of people from different localities, often creates challenges to aspects of everyday life such as social ills and social conflicts. Many issues of social ills that occurred around industrial zones such as drugs, prostitution, and conflicts between migrants and locals, have created difficulties

for the local government. Mr Nguyen Duy Hieu – Head of division – Vinhphuc’s Labour, War Invalids and Social Affair Department, explained that the department was often working cooperatively with the Security Department in solving many social issues that occurred around industrial zones

In conclusion, a range of challenges to the capacity and vision of provincial governance have grown with FDI. These included economic dependence, difficulties for policy approaches, and limits to cadres’ capacity. The above analysis showed that there were many pressures for local government in enticing and successfully managing FDI, such as managing environmental pollution, planning and filling up the industrial zones, and ensuring social-economic security in the face of foreign investment. These pressures were important not only in relation to policy making for local governance, but also raised challenges for local government in implementation. Nevertheless, what was also clear was that provincial officials took a somewhat developmental state approach to these challenges with active governance across a range of areas. Thus, promulgating effective strategic directions and policies in order to ensure there is effective management of the foreign investment sector is an essential requirement for local government.

3.5. FDI and the Developmental State in Vietnam

In examining the Vietnamese developmental state mindset and FDI, a comprehensive view is needed. Applying a sub-national approach and then extending to a nation-wide approach has been used in this study. Building on the interviews with regional and provincial officeholders, interviews about the overall impact of FDI on Vietnamese developmental state mindset and policy were also undertaken with three experts in 2013. Interviewees were:

- Dr Ngo Huy Duc, Director of the Institute of Political Science, Ho Chi Minh National Political Academy.
- Associate Professor, Dr Nguyen Viet Thong, a Secretary General of the Central Theoretical Council, Vietnamese Communist Party.
- Prof. Dr Phan Xuan Son, member of the Central Theoretical Council, Vietnamese Communist Party member of the National Scientific Council.

According to Dr Ngo Huy Duc, foreign actors affect the Vietnamese state through many channels. Consequently, Vietnam has had to adjust behaviours, laws, even regular customs and practices. Duc discussed some examples of these impacts, including consideration of the huge companies that have come to Vietnam. When entering Vietnam, those companies create certain pressures, which force changes on the host nation, such as issuing the law on foreign investment. When the state had to widen its external relationships, it also had to change practices, for example, social administration, administrative mechanisms, visa issuance, border inspection, travel inspection and so on. In these changes, we see some of the key influences on the developmental state mindset and policy, because, as Duc emphasised, the strongest factor in terms of policy is the legal framework, and changes to it are significant.

Regarding foreign economic organisations in Vietnam, Dr Duc considered that these organisations had reduced state autonomy of the host country. As Duc explained, they are big organisations, which contribute to national income, create jobs and most importantly add to the state budget. However, with their strength, they also engage in policy advocacy, creating pressure for the state to issue policies favourable to the mobilising group. There is much evidence of this, such as the policies of lengthening the time for localisation of production¹⁶ and changing import tax rates. Even if these are legal, the state loses part of its independence. Duc concluded that:

Losing a part of autonomy is a matter of fact as accepting foreign investment is followed by international rules that we must obey, if not we will get a penalty. We should understand that this binding/constraint is indispensable. The decline of state autonomy is inevitable. Following international rules, obeying the existing rules is surely dependence.

This perception reflects a common view of host country in terms of the impact of investment from foreign institutions. The autonomy of the Vietnamese state is expressed in its regulations and rules within national territory, but the foreign investors and enterprises also have their own provisions and principles, and sometimes those provisions conflict with the state's regulations and laws. As a result, bargaining between the two entities to come to a common consensus is indispensable and each side must

¹⁶ An increased local rate of production contributes to developing supporting industries and hence improving the development of domestic industry.

compromise. Thus, the Vietnamese state has given concessions increasing its capacity to attract more foreign investment, even though it means the loss of some independence.

In terms of controlling the market and managing the economy, Dr Duc said that when entering Vietnam, even relatively small MNCs can occupy all the sectors of the economy from retail, to industry and services. As a corollary, Vietnamese companies have disappeared, gone bankrupt, or become the suppliers for these larger corporations. These consequences are serious. Dr Duc also noted that Vietnam had joined the WTO and was preparing to sign the Trans-Pacific Partnership Agreement (TPP), but Vietnamese companies are not always prepared to have to maintain their market shares and it seemed likely they would lose.¹⁷ Such outcomes are evident because Vietnamese companies are rarely able to compete because they are not proactive. Yet, Duc noted that:

if we are separated from these multi-national companies, we will be poor forever. If we join, we will be only part of their chain values, at the lowest step, if we do not strive, we will die. Every country faces the same case, if these countries do not rise up in the integration, they may only be domesticated craft economies forever.

Thus, there are two key perceptions from Dr Duc about challenges to Vietnamese developmental thinking, the first is in terms of the legal framework and the state's capacity in managing the economy, and the second is the importance of promoting the competitive capacity of domestic companies and moving up the value chain in production. The clear focus on strategical developmental concerns stands out.

The interview with Dr Nguyen Viet Thong brought out different considerations about relations between Vietnam's developmental approach and the foreign economic sector. Professor Thong asserted that the foreign economic sector has become more and more developed in Vietnam and gaining a clearer role. The Vietnamese state has created favourable conditions for this sector to develop. Indeed, it is recognised in the

¹⁷ The TPP is being renegotiated after the US withdrew in early 2017. There are different views about the impact of this trade agreement on Vietnam. The optimistic views see that while all member countries stand to benefit from TPP, Vietnam is poised to be TPP's biggest winner (Gerwin 2015). Many foreign enterprises will invest in Vietnam to take advantage of the trade agreement (Boudreau 2015). However, others see that the TPP trade deal is not all good for Vietnam's factories (Chu 2015). This trade agreement will be valid from 2018 should it be ratified, so the impacts are still to be seen.

Communist Party's documents and law. However, such commitment does not mean that this sector does not create any pressure on the state. Thong noted that, when entering Vietnam, foreign investors want high benefits. Consequently, they often invest in financial and banking services and assembly industries, and they choose the regions with the most favourable conditions and very advantageous locations such as Hai Phong, Hanoi, Ho Chi Minh, Vinh Phuc, Bac Ninh, Dong Nai and Binh Duong. As a result, the pressure of the differences between the rich and the poor regions in the country is increasing, leading to social issues. In turn, these create pressure for leaders and raise questions about how leaders could ease the conflicting tensions and solve these problems.

The second concern in Thong's interview was the issue of dependence. While Dr Duc noted the dependence of host countries on foreign economic sectors in term of the legal framework or policy, Dr Thong also suggested that another aspect is dependency on FDI in term of budget inputs. In the interview, Thong provided a long argument, which can be summarised as follows: Vietnam wants to continue building the state-owned economic sector combined with the co-operative economic sector as the key basis for the national economy. However, only some localities appeal to foreign investors, which results in a changing economic structure and the chosen locality becoming dependent on FDI's contribution to the local budget. Thong argued that Vietnam's economic stability until now was based on 70 per cent of the population living in rural areas producing stable agricultural crops. Therefore, he argued, the country should not forget a permanent lesson, namely, internal strength is the major force for countries. While Thong recognised that external strength is also important, he also argued that depending on it too much is dangerous. Thong noted that once a crisis happened, such as a financial crisis, provinces that depended mainly on foreign investment would face difficulties. The Asian financial crisis did not affect Vietnam because, at that time, it had not integrated widely into the world economy. Thong pointed out that it is humorously said that, at that time when Vietnam had light at night by oil lamp, the world used electric bulbs. When there was an electric power cut, Vietnam was not impacted. Now, Vietnam is also using electric bulbs, when the electric power cut, there will be no light.

In terms of the gap between regions, this concern is shared at the highest level. For example, in a 2013 decree, the Prime Minister of Vietnam said that: 'the government

assigned selected priorities to foreign enterprises, giving only priorities to those foreign enterprises which invested in the poor or difficult conditional localities' (Nguyen Thi Phuong Hoa 2014). However, this problem is not only about FDI but there are also other tensions. On the one hand, it is noteworthy that the gap between rich and poor regions existed before FDI became widespread, although FDI may have widened that gap, but on the other hand, the government is able to use FDI's contributions through taxation to support re-distribution to poorer regions.

Another expert interviewee who also provided useful views on this topic was Prof. Dr Phan Xuan Son who has spent many years studying the issue of nation-state authority in the globalisation of civilisation. According to Prof. Son, in order to evaluate the FDI sector, the goals of attracting FDI to Vietnam needed to be clarified. These can be generalised into three goals related to the development of human capital. The first goal would be attracting modern technology as seen in the context of world and regional developments. The second should be to learn professional modern management skills with the target to turn Vietnam into an industrial country by 2020, while the concomitant third goal should be to train skilled workers in modern technology. Based on these targets, after 25 years of implementing the policy of luring foreign investment, Professor Son assessed that Vietnam had not attracted appropriate and sufficient modern technology. Most of the technology used in FDI enterprises was only average or even old technology by one or two generations (around 15-20 years) in comparison with the dominant technologies in advanced countries.

In terms of learning modern management skills, Professor Son asserted that this goal had not been reached because FDI enterprises did not use Vietnamese employees for important management positions. Rather, Vietnamese staff have been used in unimportant positions such as task managers or human resource managers. Management posts with responsibility for decisions about productivity, quality and effectiveness were filled by foreigners only. He also concluded that the goal of training skilled workers had not been achieved because most FDI workers were youths and farmers who had only received preliminary training to fill in the posts in assembly lines. Their jobs were marginal jobs that were not stable. The FDI employers hired employees on contracts that were usually signed on a six-month-basis, with low wages and no social insurance. Therefore, Prof. Son concluded:

The three basic goals are not achieved. In addition, the harmful consequence has been environmental pollution and environmental violation. Although FDI enterprises are on the 'red carpet' for investment attraction and obtain many favourable conditions, in response, they do not implement terms as was committed in the bilateral agreement and as per the initial expectation of Vietnam.

Regarding the issue of dependence on FDI, Son claimed that when Vietnam has appealed to foreign investors to come, it must also accept that they control the decision making, and sovereignty on certain matters. As Son said 'we cannot implement things in our own way. Surely then, there is a dependency on the FDI sector, because in globalisation, countries are interdependent.' However, Professor Son notes that this does not mean Vietnam 'depends too much or depends completely' on FDI. Rather, he said, it just 'depends'. In other words, it is not as serious as losing sovereignty or controlling the policies. Nevertheless, Son believed that FDI matters should be carefully considered for the future. He said that the Argentinian and Brazilian cases provided important lessons for what happens when FDI leaves, because in both cases the gap could not be filled. Currently, China might be seeing some withdrawal of FDI and the Chinese economy is starting to decline. Therefore, we should anticipate these consequences.

In relation to technology transfer, Son argued that this needed to be looked at in terms of both the benefit and costs. When FDI enterprises do not see a net benefit from technology transfer, they will not support it. FDI enterprises that come to Vietnam are seeking some major advantage, such as exploring static comparative advantage; low wage workers; priority policies about taxation; access to land; the protection of industrial policy; or to get the advantage of lower environmental standards. In fact, Son noted, that in order to attract foreign investment, many localities are ready to give priority policies without constraints. Thus, many FDI enterprises come to Vietnam to get these priorities but it is almost impossible to obtain any commitments from them. Accumulating all reasons above helps explain why foreign enterprises have not implemented technology transfer. All this indicates that Vietnamese policy makers may not be taking a sufficiently strong developmental state approach to FDI in a range of areas.

The above discussion focused on the case of Vietnam in terms of expert perceptions. All three agreed that FDI has significantly contributed to economic growth and improved Vietnamese state's competitive capacity in a range of ways, while each expert

emphasised different aspects of challenges to Vietnamese autonomy and developmental capacity resulting from FDI. Duc was mainly concerned about the legal framework, the state capacity in managing the economy, and the competitive capacity of domestic companies resulting from impact of foreign economic actors. Thong emphasised challenges to developmental state strategies from FDI management in terms of the gap between the rich and the poor regions in the country, and the dependence on budget inputs. Son drew upon the broader human capital goals to evaluate FDI contribution, as well as to demonstrate challenges to state developmental capacity. Thus, these perceptions align with the provincial case study of Vinh Phuc above, most notably the views about the challenges to state autonomy in term of the legal framework, the dependence on budget inputs and the competitive capacity of domestic companies resulting from foreign economic actors.

3.6. Conclusion: Vietnamese Perceptions of FDI and the Idea of ‘Developmental Mindset’

This section reviews the case study against the overall framework of the thesis. The developmental state theorists argue that there are prominent factors that support a strategic alliance of MNCs (especially through FDI) and the state in many cases. Such considerations return to both Mann’s (1997) and Weiss’s (1999) arguments about the impact of globalisation on the nation-state in general, and then connects to the idea of the developmental mindset.

In order to answer the question of whether globalisation has ended the rise and rise of the nation state, Mann analysed a range of supposed threats to them, the relevant one here being global capitalism (Mann 1997: 472). He investigated different nation states in different regions and showed that capitalist transformation was slightly weakening ‘the nation-states of the north (most clearly so within the EU)’, and strengthening nation-states of the South including in East Asia, and Africa, where he said globalisation would likely ‘prop them up, not... fragment them’ (Mann 1997: 472, 487). These countries featured stable states and strong civil society, therefore, Mann (1997: 487) considered these states would be strengthened by globalisation. He found that the key issue for states was the level of development as shown by two preconditions: ‘the “civility” of the country and the infrastructural capacity of the state’ (Mann 1997: 487,

488). Regarding capitalist transformation, he noted that ‘it will occur in those countries which most resemble nation-states and it will in turn enhance them’ (Mann 1997: 488).

Mann’s point was that the effects of global flows are different across different states, but it is mostly enhancing the infrastructural capacity of states that have a strong capacity. Vietnam has many characteristics of a strong developmental state, yet as the above interviews highlighted, it has many weaknesses too. Interviews highlighted concerns about cadres’ abilities, macroeconomic management and policy-making capacities, environmental pollution and social economic security. Thus, in Vietnam, with the development of FDI, the government has to focus on enhancing their capacities in these areas to ensure it obtains the maximum benefits from FDI.

To an extent, Weiss does not agree with the claims that globalisation marks the death or erosion of sovereignty and national policy autonomy. She supports the arguments that international cooperation can help policy autonomy and enhance capacity, and that ‘economic integration has increased hand-in-hand with the strengthening of nationally distinct forms of economic management’ (Weiss 1999b: 60; 87). Weiss does not support the globalists’ opinions that state power has met serious challenges from globalisation. Indeed, in contrast, she pursued the issue of ‘whether states can act to enhance wealth creation and social protection within their territorial domain’ in the context of globalisation (Weiss 1999b: 74). This has certainly been the case to a large extent in Vietnam with foreign economic actors being a major driving force behind the country’s economic development. The interviews demonstrated that the perceptions of the level of development of the country in general, and Vinh Phuc province in particular, are still very much dependent on the outcomes of the foreign investment sector.

Looking at the case of Vietnam, Weiss’s arguments and sample cases do not quite fit with the circumstance of Vietnam. Indeed, Vietnam has not reached many of the expected targets in attracting and using foreign investment effectively in such areas as achieving modern technology transfer, learning professional modern management skills, and training skilful workers in modern technology. These demonstrate the limits of the impacts of FDI for Vietnam in the age of globalisation. In addition, Vietnamese national technology networks and manufacturing have not been strong enough or had enough prominence in policy in order to develop competition with the foreign branches of MNCs in Vietnam. Therefore, the idea that the government can implement a high

technology strategy for industry, which can produce competition with MNCs, has not held in the case of Vietnam in recent years.

Challenges to Vietnamese state capacities thus arise when faced with the rise of foreign firms. However, addressing challenges in order to identify positive preconditions and human capital growth can be encouraged. In Vinh Phuc for instance, the interviews with the provincial leaders and others revealed that there were some successful company directors who were former workers in the foreign sector. After several years working there, they had learned the know-how, the tricks of the trade and forms of management and entrepreneurship from the foreign managers so they felt they could leave the employment in foreign firms and establish their own companies. These companies were successful because of the time those owners had spent working and learning from the foreign enterprises. Despite these ideal-type examples, there were only a few patterns like this. Moreover, many of these companies were often small scale and were in supporting industries.

The traditional theory of developmental state, as reviewed in chapter one, was empirically generalised from some industrial East Asian countries. This chapter has provided an overview picture of FDI inflows in Vietnam from 1986 to 2015. It can be seen that although the number of FDI projects has gone up and down, Vietnam is still ranked as an attractive destination for future investments. The main characteristics of FDI in Vietnam were recognised as mainly invested in the industrial sector and mostly contributing to GDP growth. Thus, these characteristics seem to be an excellent fit with the traditional developmental state theory regarding the state using industrial policies to encourage development.

A significant characteristic of FDI in Vietnam has been that the presence of FDI-initiated important, broad changes. FDI has spread into other economic sectors and helped to activate domestic capital, as well as creating competitive pressures, and promoting renovation and technology transformation. It has contributed to economic growth and other changes. Accordingly, Thurbon's suggestion about the importance of the developmental mindset and in particular the concept of 'developmentalism' is of major relevance to explain Vietnam's circumstances.

Drawing on developmental state theory, this chapter focused on the influences of FDI flows on Vietnamese developmental state mindset and policy. In Vinh Phuc province, some of the key findings were that the province led the way in luring FDI, but this

was also related to the advantage of its location as well as the policies developed to promote investment. FDI has changed the face of the province in recent years. However, as was shown, the province has also faced difficulties in provincial governance. Many of these resulted from the rise of this economic sector, which generated challenges to the provincial economy in general, and also led to the vulnerability of the province's budget because it was quite dependent on the FDI sector. The wealth and growth of the province seemed to be mainly based on external factors rather than internal ones. That means, the province could face the situation of a 'bubble' economy, especially given openness to effects from economic crisis or the changing choices of investors. Promulgating comprehensive and transparent policies in order to have effective management of the foreign invested sector is challenging to provincial governance. This was shown to be the case particularly since the legislative system was open to loopholes for enterprises to take advantage of. Additionally, the case study in Vinh Phuc showed how the management capacity of provincial cadres has not met the requirement of the sector. Other challenges discussed include environmental pollution and social order and security.

All of the above difficulties created pressures on local governance. These pressures were important in not only pressing changes in the mechanism of local governance (policy-making), but they also raised challenges to local government in policy implementation. Turning to a national view, it can be seen that the difficulties, which the province has experienced, reflect the general circumstances nation-wide. Other key nation-wide challenges were seen in the need to promote domestic enterprises so that they could compete with foreign ones; the need to enhance the capacity for economic management; and building capacity to deal with policy advocacy from foreign enterprises. Other challenges were found in areas of identifying and achieving appropriate targets for luring FDI and how to balance uneven foreign investment across Vietnam and in so doing, narrow the gap between the rich and poor regions in the country. Such challenges may narrow the capacity for developmental state approaches in the future.

Overall, this chapter has demonstrated the depth of engagement of international economic actors on Vietnam's developmental mindset at the national, provincial and local levels. The next chapter on international organisations will show the influence of these organisations on the Vietnamese developmental mindset and policies at the national level in particular.

Chapter Four

The Expansion of International Organisations and Their Influence on Vietnam's Developmental Mindset

4.1. Introduction

International organisations (IOs), especially economic and social-cultural organisations, generally owe their specific developmental mindsets and influence to key nation-states, as well as to global ideas and belief systems. Not surprisingly, the relationship between these organisations and nation-states is debated passionately. Some analysts support the contribution of IOs as effective instruments to help improve nation state capacity. Others claim IOs are a cause of declining state autonomy. Regardless, it is widely accepted that although IOs have been created by states, they also have independent power in their 'policies and juridical bodies' (Barkin 2013: 23) to exercise power autonomously in ways that are often 'unintended and unanticipated' by states upon their creation (Barnett and Finnemore 1999: 699). IOs influence nation states by 'transforming relations among states or sharing certain interests and objectives across national boundaries' and also by solving international issues, especially those that nation states do not cover or reach (Iriye 2002: 9). These arguments highlight the roles and functions of IOs as independent actors. The influences of the IOs and their influence on Vietnam's developmental mindset are the target of investigation in this chapter.

In Vietnam, the expansion of IOs occurred after *Doi Moi* in 1986. Prior to renovation, Vietnam was involved in a war of independence, following which there was a period of building a socialist economic model. During this time, Vietnam established relationships mainly with socialist countries and had only limited relations with IOs. This all changed radically with *Doi Moi*, so that the role of IOs in Vietnam particularly grew during the 1990s. Now a range of IOs work in Vietnam and many are still expanding their operations. Beside the benefits these organisations bring, their growth and increasing influence poses a range of questions regarding economic and political independence, and also about how they have influenced thinking about what development is, and how should it occur. Questions include: will Vietnam be bound by their requirements, and what is their influence in the development of policy in Vietnam?

By evaluating perceptions of the relationship between, in turn, the UN, the WTO and the World Bank and the Vietnamese government, new insights are provided on the above questions in this and the following chapter.

This chapter starts with a literature review on IOs and their relations with nation states in particular regarding development mindsets. Following this a brief overview of IOs in Vietnam is provided, and then the chapter examines the relationship between Vietnam and the UN and the WTO, as these two major IOs that have been very active in the country and are two key IOs in terms of their global influence. An analysis of the perceptions of the impacts of these organisations on the Vietnamese developmental mindset and strategy is provided. This analysis is continued in chapter five, which investigates the case of the World Bank in Vietnam in more depth, evaluating how different actors perceive the impact of IOs on policy development and the developmental mindset in Vietnam.

4.2. Literature review

International organisations: definition, classification, roles and functions

The term ‘international organisation’ was used in international relations theory as early as in 1970 by Michael Wallace and David Singer (1970: 245) who claimed that for an organisation to be called an IO, it ‘must consist of at least two qualified members of the international system’. Further, it must be ‘created by a formal instrument of agreement between the governments of national states’; ‘must hold more or less regular plenary sessions at intervals not greater than once a decade’; and it must have ‘a permanent secretariat and some sort of permanent headquarters arrangement’ (Wallace and Singer 1970: 245-247). Different theories of IOs have offered different definitions, but the above broad definition is widely accepted (Archer 2001: 33; Pevehouse et al. 2005: 9; Klabbers 2013: 4; Klabbers 2013: 4).

In another way of thinking, IOs have been understood as sets of rules in global governance. One of the best known contributors to this school is the work of Katharina Coleman who outlined that ‘in contemporary international relations theory, IOs are often viewed as creations of international law, instruments of hegemonic power, or facilitators of interstate cooperation and burden-sharing’ (Coleman 2007: 3-4). This

brings us to the question of the distinction between ‘international organisations’ and ‘international institutions’. The term ‘international institutions’ is discussed by John Duffield ‘as relatively stable sets of related constitutive, regulative, and procedural norms and rules that pertain to the international system, the actors in the system (including states as well as non-state entities), and their activities’ (Duffield 2007: 7-8). Continuing this genre, it is useful to look at the definition of Carlsnaes et al. (2002) who clarify the distinctions between ‘international organization’, ‘international regime’ and ‘international institution’ as follows: The term ‘international organizations’ almost always referred to formal IOs, usually to organs or branches of the United Nations System... ‘International regimes’ often referred as rules, norms, principles and procedures that focus expectations regarding international behaviour... ‘International institutions’ are commonly understood as sets of rules meant to govern international behaviour. Rules, in turn, are often conceived as statements that forbid, require or permit particular kinds of actions (Carlsnaes, Risse et al. 2002: 257 - 260).

Coleman viewed IOs as sets of rules in global governance and emphasises that ‘these rules create a role for international organisations as gatekeepers to international legitimacy, and delineate the scope for strategic state behaviour within this framework’ (Coleman 2007: 41). In a related but general consideration about ‘the development of a stable world order’, Iriye (2002: viii) found that IOs play a key role creating a stable world order, ‘for many of them express the aspirations of people everywhere for peace, justice, and interdependence’.

Regarding the classification of IOs, there are ranges of theoretical approaches to this issue. Archer (2001) provides a standard starting point for classifications as he has investigated ‘three of the most common classifications of international organisations: by membership, by aims and activities, and by structure’(Archer 2001: 35). He finds:

When considering *type of membership*, a distinction was made between organizations made up of governmental representatives (IGOs) and those with non-governmental members (INGOs), though there are a number of international organisations with mixed membership (for example, ILO).

The *aims and activities* of international organizations show what they are meant to do and what they actually do, thus providing the fairest way to classify them...

An examination of the *structure* of international organizations can examine how institutions differentiate between one member and another; whether they are more or less egalitarian in their treatment of members; the degree of independence the institutions have from the member governments; and the balance between the governmental and non-governmental elements in the institutions (Archer 2001: 63-64).

On the other hand, Samuel Barkin (2013) drew an arguably artificial distinction between ‘inclusive intergovernmental organizations’ and ‘exclusive’ ones. According to the author, inclusive ones are those created by states agreements and ‘that all interested parties can join’, such as ‘The United Nations (UN), the Northwest Atlantic Fisheries Organization (NAFO), and the World Bank’ (Barkin 2006: 1). Exclusive intergovernmental organisation are ones that are created by ‘private individuals’ such as NGOs, transnational corporations and organisations and are ‘designed specifically to exclude some countries’ with the most common example being military alliances. In this author’s point of view, IOs are understood to be ‘inclusive intergovernmental organizations’ (Barkin 2006: 1-2).

Thus, there are different classifications of IOs. This thesis uses the standard classification of IOs being organisations such as the United Nation’s system, the World Bank, the IMF, and WTO which are separate them from NGOs, TNCs and regional organisations. The particular focus is what Barkin (2013) calls inclusive IOs but as is discussed in detail later in this chapter, these organisations do differ in terms of Archer’s (2001) distinctions around aims and activities and structures.

There have also been many vigorous discussions of the roles and functions of IOs, they have often been defined based on the focus of researchers. For example, in focusing on ‘the politics, power and pathologies of international organization’, Michael Barnett and Martha Finnemore (1999: 699) followed the theories that explain ‘IO creation as a response to problems of incomplete information, transaction costs, and other barriers to Pareto efficiency and welfare improvement for their members’. Yet, they continued, that ‘many IOs stray from the efficiency goals these theories impute and that many IOs exercise power autonomously in ways unintended and unanticipated by states at their creation’ (Barnett and Finnemore 1999: 699). This argument of IOs autonomous power is expanded in the next section by analysis of IOs as independent actors. These

arguments provide the logic for why the thesis seeks to investigate the relationship between state autonomy and IOs' influences through a focus on their impact on the developmental mindset.

In this respect, Archer's (2001) analysis of the international role and functions of IOs is important. First, on the roles of IOs, he suggests that IOs have taken their place in the 'global market place' and they play a role 'jostling in transactions with other groups, with political leaders and states' representatives'. The result is that questions are raised about whether they are 'mere instruments of the other players, being used as tools to gain advantages or as means of communication between interlocutors? Or are they part of the scenery itself, plinths for speeches, forums for meetings, common grounds for gatherings?' (Archer 2001: 65). Archer then identified three major roles for IOs: they can be instruments, arenas and actors. In term of *instrument*, Archer (2001: 68) see IOs' role as 'that of an instrument being used by its members for particular ends'. On *arena*, he notes that IOs are 'arenas or forums within which actions take place' (Archer 2001:69). As *actors*, Archer emphasises that the independence of IOs (Archer 2001:79). Overall, he concludes that:

It can be seen that international organizations can indeed play the role of instruments by those who bargain in this place – as servants carrying messages; changing money to order; or acting as bodyguards. They can also be likened to that part of the marketplace where the occupants meet to discuss trade and settle disputes – the forum. Finally, they may also be given the likeness of a participant in the marketplace, perhaps as powerful and as able to mould events as some of the other traders and customers. All these demonstrate possible roles of international organizations in international relations (Archer 2001: 92).

In terms of the functions of IOs, Archer divided the main functions of IOs into:

1. instruments of *articulation and aggregation* in international affairs;
2. instruments, forums and actors in the normative activities of the international political system (*norms*);
3. ...the *recruitment* of participants in the international political system;
4. a central formal *rule-making* equivalent to institution such as a government or a parliament in the domestic political system....;

5. *Rule application* - In domestic political system, rule application is undertaken mostly by government agencies and, *in extremis*, by the police, militia or armed forces. In the international political system, rule application is left mainly to sovereign states, as there is no central world authority with agents to undertake the task.
6. Under certain circumstances, IOs take on aspects of applying generally accepted rules or *rule adjudication*. The process of rule adjudication at the international level lacks the extensive institutions and compulsory nature of that at nation-state level. However, IOs have a more important function is played by certain institutions whose task it is to adjudicate between the competing claims of states such as International Court of Justice (ICJ), the Permanent Court of International Justice (PCIJ) in the interwar period and the Permanent Court of Arbitration

(Archer 2001: 94-107).

These functions of IOs, as Archer (2001: 94) explains, respond to 'their various roles as instruments, forums and actors' in the international political system. It is difficult to find a complete consensus about the role and function of IOs in the theory of international organisation. Thus while definitions of the roles and functions often depend on the research approach taken to IOs, it is clear that IOs are increasingly their influence and, together with national states, responding to global problems, contributing to the common prosperity and development of humanity.

International organisations as independent actors in global governance

In theories of global governance, there have been fundamental questions of why states chase their interests via IOs and why do states often use IOs as vehicles of cooperation? Kenneth Abbott and Duncan Snidal (2005) provide a persuasive answer. They identify 'two functional characteristics that lead states, in appropriate circumstance, to prefer IOs to alternate forms of institutionalization. These are centralisation and independence' (Abbott and Snidal 2005: 26). The centralisation of IOs is presented as collective activities through 'a concrete and stable organizational structure and a supportive administrative apparatus' such as support for state interactions, managing substantive operations, and norm elaboration and coordination (Abbott and Snidal 2005: 26). This characteristic is said to increase the proficiency of joint activities and increase an

organisation's capacity to impact states (Abbott and Snidal 2005: 26). This is important for my study as it indicates why IOs are influential and need to be studied in relation to development mindsets.

Regarding the characteristic of independence, Abbott and Snidal (2005) provide an in-depth analysis of the functional operations of IOs (support for direct state interaction, managing substantive operations) and conclude that 'the participation of an IO as an independent, neutral actor can transform relations among states, enhancing the efficiency and legitimacy of collective and individual actions'. They note that: 'Powerful states will not enter an organization they cannot influence...' (Abbott and Snidal 2005: 39). Continuing this genre, research about the role of IOs in global community by Akira Iriye emphasises the importance of interdependence in solving 'many issues by sharing 'resources and effecting transnational cooperation, rather than through individual countries' unilateral efforts' (Iriye 2002: 9). This focus shows the influence of IOs on the mindset of nation state and the perceptions of it by key actors, which are key research foci for this thesis.

Samuel Barkin (2013) acknowledges that IOs do not have the essential traditional power of military force, but some IOs nevertheless have power by their policies, programs and juridical bodies. They can implement judicial activities despite the lack of the independent enforcement forces (military force). It is not because of their independent power, 'but because they are backed by the power of states' (Barkin 2006: 23). Specifically, according to Barkin (2013), two primary sources of independent power for IOs are moral authority and information. Moral authority is defined as the source of IO's capacity 'to legitimately speak as the official international voice with respect to its issue-area in order to get both people and states to pay attention to it, even when it does not have material resources' (Barkin 2006: 23-24). The second source of independent IO power is explained as 'control over, and ability to create, information' and here Barkin highlights that IOs can exercise this 'through the agency of what some scholars call "epistemic communities"' (Barkin 2006: 24).¹⁸ These indicators demonstrate a clear developmental mindset of IOs.

¹⁸ An epistemic community can be defined as 'a network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area' (Peter Haas cited in Barkin 2013: 24).

In the constructivist approach to the power of IOs, Barnett and Finnemore show that IOs have power independent from states. Starting from Weberian bureaucracy and sociological institutionalist approaches to organisational behaviour, these authors concluded that ‘the rational-legal authority that IOs embody gives them power independent of the states that created them and channels that power in particular directions’ (Barnett and Finnemore 1999: 699). The authors expounded that IOs can get their power, autonomy and independence from the state, ‘because of power owing from at least two sources: (1) the legitimacy of the rational-legal authority they embody, and (2) control over technical expertise and information’ (Barnett and Finnemore 1999: 707). These features demonstrate that IOs can have their own their particular mindset, including on development, though it originates from the existing order and they can influence nation states by their operation.

Cox’s view has some parallels with that of the constructivists but includes a material focus. In Cox’s view, IOs have their own ‘ideology, strategy and institutions’ that gives them independent and penetrates countries ‘through the process of internationalisation of the state’ (Cox 1986: 234). In parallel with the expansion of international production and the prerequisite demands of a world economy, the independence of IOs put them in a prime position to help in reconciling ‘domestic social pressures’ (Cox 1986: 230). In other words, Cox’s view of IOs emphasises not so much their independence as their ideological power stemming from their emergence from a particular world order.

Although different approaches to IOs exist with regard to their approach to social communication (global communication), economic relations (trading and financing), global politics (political power and political actor), etc., the independent characteristic of IOs in global governance is widely accepted. For this thesis, this is not as ‘neutral actor’ in the international political economy but rather, because of their rational-legal, ideological and institutional authority, IOs have independent power in global politics, in spite of being created by states. Demonstrating the independence of IOs is important for this thesis as it shows the can influence the developmental mindset and strategy of national state.

International organisations and their relationship with developing states

Following from debate on IOs independence, it is not surprising that discussion about the relationship between IOs and national state also has been extensive. Some argue that

IOs are effective instruments to help improve nation-state capacity, while others claim IOs are a cause of declining state autonomy. In analysing the impacts of IOs on nation state, I focus on reviewing the work of two prominent scholars, Joseph E. Stiglitz and Walden Bello, as they focus on IOs in developing countries. Their general ideas are outlined here and are specifically in relation to the role of the IMF. Their analysis on the WTO and World Bank in developing countries is analysed in the discussions of these specific organisations later in this chapter.

Stiglitz is well known as one of the institutionalist, a recipient of the Nobel Prize in Economic Sciences, a former chief economist of the World Bank, and an author of numerous publications in the fields of trade, development, equality and international institutions such as the IMF and World Bank. Stiglitz's (2002) *Globalization and its Discontents* argues from the first page to the end page that globalisation has brought much good by 'opening up to international trade', 'providing free access to knowledge' and from the 'benefits of foreign aid' (Stiglitz 2002: 4-5). He notes that if developing countries want to grow and to fight poverty effectively they must accept the globalisation. However, Stiglitz also finds that for too many in the developing world, 'globalization has not brought the promised economic benefits' (Stiglitz 2002: 5). Specifically, on the dark side of globalisation, he notes:

A growing divide between the haves and the have-nots has left increasing numbers in the Third World in dire poverty, living on less than a dollar a day. Despite repeated promises of poverty reduction made over the last decade of the twentieth century, the actual number of people living in poverty has actually increased by almost 100 million. This occurred at the same time that total world income actually increased by an average of 2.5 per cent annually (Stiglitz 2002: 5).

According to Stiglitz, 'market fundamentalism' was the main causes of these tragic consequences and this was often simply imposed on developing countries through IOs, particularly those with financial clout such as the IMF and World Bank. He criticised the rigidity of the so-called Washington Consensus- the set of economic policies developed in Washington by the World Bank, the IMF and the US Treasury in the early 1980s that were to be applied to developing countries needing assistance. Stiglitz (2002) provides a brief analysis of fundamental issues such as: privatisation, liberalisation, the role of foreign investment, the sequencing and pacing of reform programs, and trickle-

down economics. Stiglitz also argued that the policies of the IMF, WTO (and the Washington Consensus in general) lacked sophistication, and were overly simple and superficial (Stiglitz 2002: 54-80). An organisation has received particular criticism from Stiglitz has been the IMF - as one critic wrote, the book title could have been 'My Discontent with the IMF' (Perales 2004: 418).

Stiglitz argues that as a result of IMF intervention:

The result for many people has been poverty and for many countries social and political chaos. The IMF has made mistakes in all the areas it has been involved in: development, crisis management, and in countries making the transition from communism to capitalism. Structural adjustment programs did not bring sustained growth even to those, like Bolivia, that adhered to its strictures; in many countries, excessive austerity stifled growth; successful economic programs require extreme care in *sequencing* - the order in which reforms occur - and pacing... In many countries, mistakes in sequencing and pacing led to rising unemployment and increased poverty... The collapse in Argentina in 2001 is one of the most recent of a series of failures over the past few years (Stiglitz 2002: 18).

Stiglitz's indictment of the IMF focuses on three main points; first, the IMF officials have a haughty arrogant style borne of almost neo-colonial attitudes; for example, they do not set up permanent representation in recipient countries and frequently make ultimatums to countries in trouble. Secondly, the reports and proposals of the IMF are often based on the solely on neoliberal economic theory regardless of its shortcomings or limitations. Thirdly, the purposes of IMF assistance are often not appropriate for local circumstances; in particular, Stiglitz argues, the Washington Consensus policies were designed specifically for Latin America yet they have been applied in all developing countries seeking assistance. Stiglitz claimed that the IMF's Structural Adjustment Policy (SAP) has caused widespread poverty because of its policies; free trade brings benefits to only rich countries and privatisation has caused disasters in many countries. Under the pen of Stiglitz, the IMF is portrayed as a clumsy organisation, but one which undertakes strict programs in member states under its guidance - especially the less developed members.

The IMF has insisted on the policy of austerity (balancing budgets, increasing interest rates, and the like). Believing in the unique perfection of the ‘market’, it has held on to this model like a fanatic. And yet, ‘the IMF had spread the disease rather than contained it’ (Stiglitz 2002: 200).

Stiglitz provides an in-depth analysis of the Asia financial crisis of 1997-98, the case of Russia and China, and other areas. According to Stiglitz, the case of East Asia countries is quite easy to understand; first, the countries in the region had grown tremendously in the two decades prior to the crisis, mainly thanks to the wise guidance of the state and contrary to IMF policy and therefore, until 1997, the IMF pretended they did not see this. Second, the cause of Asian Financial Crisis was ‘excessively rapid financial and capital market liberalisation’; third, the ‘bailout package’ of the IMF made the crisis more serious rather than combatting it; and fourth, the countries that did not follow the dictates of the IMF recovered sooner than the followers (Stiglitz 2002: 89). Stiglitz’s arguments about the IMF and the WTO provide a key view of the potential direction of their influences on a mindset about economic development strategy in Vietnam.

The second prominent scholar, in this review, is Walden Bello, who is a leading critic of the current model of economic globalisation, combining the roles of intellectual and activist. Bello is interested in wide range of topics around ‘deglobalization’, but here, I focus on reviewing Bello’s views of the IMF, his work on the WTO and World Bank is included in subsequent sections.

Bello highlights three main criticisms of IMF using the Asian Financial Crisis as a case study. The first two criticisms are similar to Stiglitz with the IMF’s promotion of capital account liberalisation the Fund’s problematic bailout package though here he highlights the guarantee for the international private banks that the borrowing countries had to pay back. Bello argued that supporting investors and banks from market failure in IMF rescue programs encouraged a ‘moral hazard’ which was likely to lead to ‘continued irresponsible lending in the future’ (Bello, Cunningham et al. 1999: 121). His third critic of the Fund focused on ‘its principal and strongest stockholder, the United States and the way it pushes ‘trade and investment reforms that would benefit principally US economic interests’ (Bello, Cunningham et al. 1999: 121).

Bello investigated the three pillars - the WTO, IMF, and World Bank – of the so-called ‘formal decision-making systems of global economic governance’ and concluded that this

system represented the interests of Western corporations. These institutions, in the point of view of Bello, controlled globalisation and spread the political hegemony of the developed states, the US in particular. He designed a proposal for reform of global governance and provided an 'alternative system - so-called deglobalization' (Bello 2004: 115).¹⁹

Thus, summarising this literature on IOs, the main points can be unified as follows: an organisation can be defined an IO when it was created by an official agreement between nation states, with its own agreed sets of rules and its own secretariat and headquarters arrangements spread across its member countries. This thesis uses this standard classification of IOs to separate them from international NGOs, TNCs and regional organisations. As per Archer, they are best understood by: the type of membership (in the case of the UN near universal membership of nation-states), their aims/activities and by structure (voting rights, elections, etc). Although IOs are created from states, they still have independent power in through ideology, policies and structures and exercise power autonomously in ways that are often 'unintended and unanticipated' by states upon their creation (Barnett and Finnemore 1999: 699). This independent power was demonstrated in the analysis of Stiglitz and Bello which highlighted the IOs' negative influences on developing states and their developmental strategies. Both Stiglitz and Bello argued that the IOs discussed here - the IMF, WTO, and World Bank in particular – have an unfair set of rules and operations which operate in developing countries, but which work against them. Indeed as these analysts demonstrate, this system often brings benefits only to rich countries and only represents Western corporations' power. In so doing these IOs are shown to control globalisation and spread the political hegemony of the developed states. On the other hand, not all scholars and analysts perceive IOs as critically as Stiglitz and Bello see these organisation. The UN system in particular is often seen as more progressive, and as providing support for critical needs, while having a less dogmatic or ideological approach. The next section looks at the influence of and perceptions of IOs in Vietnam beginning with a history of their operations in the country since Vietnam joined the UN in 1977. Engagement with the UN or other IOs prior to then was quite limited.

¹⁹ This would see 'the deconcentration and decentralisation of institutional power and the creation of a pluralistic system of institutions and organizations' (Bello 2004: 115). This new system would be dedicated to create and protect the authority of nations and communities in trade and economic decision-making. It would be 'more fluid, less structured, more pluralistic world, with multiple checks and balances' and create opportunities to develop for the 'nations and communities of the South – and the North... based on their values, their rhythms, and the strategies of their choice' Bello (2004: 115).

4.3. A brief introduction to International Organisations in Vietnam

4.3.1. Vietnam and the United Nations

Vietnam was admitted to membership in the UN on 20 September 1977. Since this admission, the relationship between Vietnam and the UN has grown and improved. Right after admission, Vietnam gained the support of UN's members for General Assembly Resolution 32/2 (1977) to appeal to nations and international organisations for assistance and reconstruction support after the war. Over time, Vietnam has taken increasing advantage of the capital, intellectual and technical assistance provided by the UN for the sake of its socio-economic development. The UN also became a forum for Vietnam's exercise of its external relation policies. The role and the status of Vietnam in the UN have increased over time. The development of relations between Vietnam and the UN can be divided into two periods, 1977-1991 and post 1991 (Ministry of Foreign Affairs 2013). Each period is discussed below.

1977-1991: Under the influence of the Cold War, relations between Vietnam and the UN were restricted. In terms of socio-economic cooperation, despite the challenges caused by the embargo, Vietnam received direct non-refundable aid from the development system of the UN, with a total amount of US \$500 million (Ministry of Foreign Affairs 2007). This contributed to helping Vietnam recover from socio-economic difficulties, war, and natural disaster, and sought to address social problems in health, education, maternal and children protection and family planning. They also helped Vietnam improve science and technology, contributing to recovering and constructing some production facilities and increasing development capacity. Thus, the UN was one of the earliest IOs present in Vietnam, with the United Nations Development Programme (UNDP), in particular, playing a key role. There was a limited relationship between Vietnamese government and other non-communist donors in the period to 1993, limited to some international advisers and mainly coordinated through UNDP (Engel 2010: 90).

From 1991 on: Since 1991, Vietnam has increased its active participation in many aspects of the UN related to security, peace, disarmament, socio-economic development, population and environmental protection. Vietnam's participation in the UN has improved step by step. The government sees that this shift has matched its

external relations policies, which aim for independence, autonomy, openness and a readiness to be a reliable friend to other countries.²⁰

The priorities in the relations between Vietnam and the UN over the 2000s and into the 2010s were reaching the three targets stated in the UN Development Assistance Framework (UNDAF). These are: developing economic policies to support growth in an equal, integrated and sustainable manner; improving the quality of social services and social security and the equality in accessing these services; and policies, law and national governance mechanism to effectively support right-based development in order to implement the Millennium Development Goals (MDGs).

In Vietnam itself, UN bodies operate many assistance projects and programs. The UNDP agencies are present in a wide range of assistance areas including poverty reduction, democratic governance, environment, climate change and disasters, and women's empowerment. Regarding the national government, their program has focused on interventions to support the 'public service system, law-making and law-enforcement institutions as well as civil society development, anti-corruption and human rights'(UN in Vietnam 2013). Their projects have been built on three main pillars: parliamentary development; the rule of law and access to justice; and public administration reform.

UNDP projects use 'in-house governance policy advisors', in other words technical advisers. They argue strongly that 'the clear identification of UNDP as a provider of policy advice is particularly important in a middle-income country context, with traditional large-scale capacity development projects to become less relevant and affordable' (UNDP in Viet Nam 2013/2014). Just looking at the incomplete list of projects (see Table 4.1) funded and implemented by UNDP in Vietnam. This indicates its role and influence as a professional policy advisor for Vietnamese administrative system.

²⁰ Vietnam was Vice President of the UN General Assembly in 1997, 2000 and 2003, a member of the Economic and Social Council (1997-2000), and Vice President of the UN Food and Agriculture Organisation. It was a member of the Human Right Committee (2001-2003), the Executive Council the Development Program of UNFPA (2000-2002) and the Board of Governors of the International Atomic Energy Agency (1991-1993, 1997-1999 and 2003-2005). Notably, in the 62nd session of the United Nations General Assembly, Vietnam was elected as a non-standing member of the United Nations Security Council for the period of 2008-2009 with a high rate of votes (183/190 eligible votes). The UN involves Vietnam in frequent high-ranking leader meetings Ministry of Foreign Affairs. (2013). "International Organisation/Các tổ chức quốc tế." Retrieved 14 August, 2013, from [http://www.mofa.gov.vn/vi/ctc_quocte/..](http://www.mofa.gov.vn/vi/ctc_quocte/) Vietnam is still actively involved in the Nonaligned Movement (NAM), which is a leading bloc in the UN, and it is increasing its role in ASEAN.

Table 4.1 Selected UNDP projects in the area of democratic governance

Name of Project	Project started date	Duration	Geographic coverage	Funding
Strengthening the impact of Public Administration Reform in Vietnam in Da Nang city	Nov 2012	2012-2016	Da Nang	USD 1,320,000
Strengthening the impact of Public Administration Reform in Bac Giang province	Nov 2012	2012-2016	Bac Giang province and other provinces, cities	USD 1,381,796
Strengthening the Capacity of Vietnamese Government's Agencies in Accelerating and Improving PAR Efficiency and Effectiveness	April 2009	April 2009- April 2012	Ha Noi	US\$ 3.800.000
Strengthening the capacities for budgetary decision and oversight of people's elected bodies in Viet Nam	April 2009	48 months (2009-2012)	20 selected provinces	USD 5,242,824
Legal Empowerment through Support for the Viet Nam Lawyers' Association	August 2012	2012-2015 (31 July 2015)	Viet Nam	2012: USD 206,471 USD 2013: 513,792

Source: (UNDP in Viet Nam 2013/2014)

This list of projects does still very much suggest an agenda based on Western democracy and rule of law. For example, in the area of judicial reform, UNDP work supported 'the independence of the judicial adjudication' and they argued that this process has been 'slow and lags behind' other changes (UNDP in Viet Nam 2010) suggesting a Western legal approach. These activities put pressure on the Vietnamese

political system and, to some extent, challenge state autonomy. On the issue of civil society for example, Vietnamese leaders still find this ‘a sensitive issue’ (Waibel, Ehlert et al. 2013: 175; Tran 2015). They are concerned that many people and organisations may take advantage of nominated activities to work against the state and threaten the survival of regime (Noichinh 2015). Overall, much of the UNDP’s work in Vietnam can be seen as promoting a Western approach to rule of law, which can close the space for developmental state thinking.

In the area of human rights, the UNDP promoted ‘the Government’s follow-up on the Universal Periodic Review²¹ with high-level policy dialogues between State and non-State actors on it’ (UNDP in Viet Nam 2010). The Universal Periodic Review always creates stress in Vietnam. There has been a debate between issues of human rights as opposed to political and cultural values in the context of Vietnam’s one party rule (Davis 1998; Koh 2001). These authors demonstrate that the approach to human rights by the UN follow the Western standard requirement of liberal democracy, rather than acknowledging broader cultural and historical values. Thus, this may be unsuited to the particular political culture of Vietnam which includes ‘authoritarianism, cooperation, harmony, and order as the predominant values’ (Davis 1998: 109).

In the area of public administrative reform, the UNDP has focused on improving the quality of services by introducing ‘e-services at local one-stop shops and human resource reforms to improve the leadership style, quality and ethical behavior of public servants’ (UNDP in Viet Nam 2010). In the area of law-making process, it has mainly consulted with the National Assembly including on the topic of constitutional amendment. It also ‘provides expertise on the ongoing revision of key laws pertaining to the institutional functioning and set up of the National Assembly’ (UNDP in Viet Nam 2010). These activities showed the in-depth intervention of the UNDP Vietnam in the administrative and political system of Vietnam, an intervention that is seemingly more suited to a market or neoliberal developmental path than to a developmental state one. Nevertheless, most developing states find engagement with the UN less ideologically driven than with the World Bank, which accounts in part for their happiness to engage with them.

²¹ The Universal Periodic Review (UPR) is a unique process which involves a review of the human rights records of all UN Member States

4.3.2. International Organisations in Vietnam: the case of the WTO

Background on the WTO

The WTO is a key IO, which has strong enforcement capacity particularly during the accession process. Further, as the literature review that follows demonstrates, since its inception the WTO has been a key proponent of a neoclassical or neoliberal development strategy. Evidence of its influence in Vietnam would suggest that this developmental approach has dominated the developmental strategy of the country. Thus, the central focus of this section is examining the influence of this organisation on its member states in general, and in the case of Vietnam in particular.

Stiglitz has written extensively about the WTO in *Fair Trade for All; how Trade can Promote Development* (2005) and in *Making Globalization Work* (2006). Stiglitz refutes two opposing attitudes about the WTO in these works. On the one hand, he notes the attitude of neoclassical orthodoxy, which posits that trade is based on comparative advantage, so that every country will benefit, a so-called win-win analysis. On the other hand, he aims to refute the critics who wish to argue for ‘a world without the WTO’ (Irwin 1999: 352). By accepting a hypothesis that there is a positive relationship between ‘free trade and economic growth’ in certain conditions, Stiglitz stressed that globalisation is an opportunity for the least developed countries, if it is administered within a framework of international democratic institutions. This is a soft version of developmental state logic. Based on the consideration that ‘the way decisions get made - governance - in the international arena suffers from two flaws: the voices of developing countries are heard too little, and the voices of special interests are heard too loudly’, Stiglitz (2006: 128) wants to reform the WTO to become a fair organisation. Nevertheless, we see here that the developmental flaws of the institution are expressed even by a supporter such as Stiglitz.

In answering its critics, the WTO has responded that multilateral negotiations in the WTO are very democratic, because decision-making does not follow majority rule, but rather is based on the principle of consensus (Stiglitz and Charlton 2005: 35). Instead of a minority obeying the majority, each country must be persuaded to agree - if necessary countries that do not agree need to receive certain benefits in exchange for their approval. Thus, the consensus assumes that all countries accept the

decision, do not have any objection and that every country will benefit. However, Stiglitz and Charlton have also highlighted the seemingly two-faced attitude of the developed countries in the General Agreement on Tariffs and Trade (GATT), which was the predecessor to the WTO):

Over several rounds of agreements, the world trading system was tailored to the interests of the developed countries, who had, participated intensively in the negotiations. Protection was progressively reduced on the goods of export interest to developed countries, but remained on goods exported intensively by developing countries. It was no surprise that the GATT came to cover trade in all goods except agriculture and textiles — both of interest to developing countries — which were the subject of separate agreements whose provisions were far less liberal than those of the GATT (Stiglitz and Charlton 2005: 44).

On the other hand, such discrimination has been reduced in parallel with the increasing roles of developing countries in recent decades. Stiglitz and Charlton optimistically view these improvements, but they also pointed out that, in practice, the WTO system has still not been successful in reducing unfair trade activities between developed and small developing countries, and that developed countries still impose higher tariffs on the developing countries than on fellow rich states (Stiglitz and Charlton 2005: 77).

In terms of reform, Stiglitz and Charlton emphasised the importance of the WTO's principles in trade policies, especially the so-called 'special and differential treatment' (SDT) provisions, 'which give developing countries special rights and allow developed countries to treat developing countries more favourably than other WTO members' (Stiglitz and Charlton 2005: 88). Despite the 2001 Doha Declaration promising a strengthened, effective and operational SDT, the opposite occurred and SDT effectively disappeared from Doha (Stiglitz and Charlton 2005: 91). With Doha now effectively abandoned, Stiglitz and Charlton (2005) are correct in their view that the WTO rules and game were established for developed countries, while developing countries had only 'a weak voice in the negotiations and little power with which to assert their interests' (Stiglitz and Charlton 2005: 93).

Walden Bello offers a different analysis of the history of the WTO. Bello argued that 'GATT was, in fact, functioning reasonably well as a framework for liberalising world trade' (Bello 2004: 52). On the question of why the WTO was established in

1995, he says: ‘it was not global necessity... It was the United States’ assessment’ that the interests of its corporations in GATT were no longer served and it then wanted ‘an all-powerful and wide-ranging WTO’ (Bello 2004: 54). Bello analysed the rules and regulations of WTO and concluded that ‘the WTO was regarded even by many Europeans and Japanese as a blueprint for the global hegemony of corporate America. It sought to institutionalise the accumulated advantages of US corporations’ (Bello 2004: 54).

Bello et al. carefully investigated three areas: the Agreement on Trade-Related Aspects of Intellectual Property Rights [TRIPs], the Agreement on Trade-Related Investment Measures [TRIMs], and trade in services. For TRIPs, they argued that the developed countries own advanced technology, and that they have restricted its diffusion to the Third World ‘by strengthening the international regime governing patents, trademarks, and royalties favouring Northern multinational corporations’ (Bello, Cunningham et al. 1999: 82). In the area of TRIMs, they argued that developed countries have exaggerated the contribution of foreign investment to national development. On the one hand, these regulations specified ‘a maximum percentage of foreign equity ownership’, while mandating ‘minimum levels of local material to be used in a product’. On the other hand, the agreement did not mention ‘the trade-distorting activities of multinational investors, such as transfer pricing, or artificially depressing export prices to subsidiaries, and tying purchases to selected external suppliers’ (Bello, Cunningham et al. 1999: 83-84). For the service sector, they criticised the principle of ‘national treatment’ because it aims to give ‘foreign investors the same treatment accorded to domestic providers of services’. For all the above reasons, Bello et al. considered ‘GATT as a weapon’ (Bello, Cunningham et al. 1999: 82). The WTO system they portrayed as a ‘monolithic system’ devised by its centralised institutions and which presented mostly the ‘interests of corporations – US corporations’ (Bello 2004: 115).

Thus, the key lesson from these authors about the WTO has been that this IO limits the space for their development, and that developing countries need to struggle for a fair system in which their interests and voices are heard and respected. If we see the WTO as a playground, where the rules of play were already set up by developed countries, the developing countries are clearly disadvantaged. This explains why many analysts have perceived that joining the WTO weakened the developmental options for countries like

Vietnam. However, equally not joining the organisation would so severely limit the trade options for a country, that it is a necessity. The question is as much how much joining the WTO has impacted the developmental mindset in Vietnam. This is a question that can only be partly answered in this thesis because the WTO is not the sole focus, although, some areas for research are identified.

Vietnam and the WTO

Accession to the WTO in 2007 was a significant event for Vietnam. It marked the further integration of the country into the global economy. In the section on the social-economic improvements after *Doi Moi* in Chapter 2 of the thesis, I briefly introduced the process around Vietnam's membership of the WTO. Here, I focus on reviewing Vietnam's status after joining in the WTO, given the perceptions that it may weaken the country and the possible impacts WTO membership could have had on the country's developmental mindset.

In the negotiations for admission, Vietnam was aware of many of the challenges and benefits of becoming a WTO member. One of the biggest challenges was that Vietnamese enterprises were forced into international competition, especially through the lowering of tariffs and the removal of those allowances which were not WTO compliant. Those supporting WTO integration argued that such changes would generate a boost in Vietnam's adjustment of the domestic law system resulting in a more complete system, and one which was in line with general international rules. They also argued it would create a fair and advantageous business environment for all the economic sectors in the country, state and non-state.

Meanwhile, some sections of the Vietnamese business community, state governance officers and other civilians were nervous, concerned and even suspicious as to whether the country's economic capacity could effectively deal with the great changes in the business environment. In particular, they questioned the reactive capacity to the multi-faceted challenges of international economic integration. Further, many foreign partners did not have real confidence in Vietnam's capacity and determination to fulfil completely and seriously the integration commitments, which were new to Vietnam (Ministry of Foreign Affairs 2008).

It is notable that during the period of negotiation for entry into the WTO, Walden Bello, a critic of the WTO, was invited to Vietnam three times by the government to talk about the organisation. He warned that the WTO accession would bring negative consequences (Vietnamnet 2004). Bello said that the experience of developing countries which were WTO members highlighted the WTO's lack of fairness which in turn, caused terrible disturbances in agriculture for example. Further, he argued that the WTO had very strict rules on intellectual property rights, rules that were prejudiced against poor countries and, exacerbated by the process of decision-making, which was dominated by rich countries like the US and European countries. Bello affirmed strongly that 'if asked, I want to answer honestly by my personal point of view, I'm afraid, in addition to the benefits gained, you will lose a lot. The experience of developing countries showed that since 1995 (when the WTO was established on the basis of GATT) they have lost more' (Vietnamnet 2004). Bello suggested that without the WTO, Vietnam still had other ways to build national wealth, such as consolidating and leading ASEAN based on Vietnam's capacity for 'political leadership' (Vietnamnet 2004).

Another reputed expert, Joseph Stiglitz was also invited to Vietnam in this period. In his fourth visit to the country, Stiglitz argued that the most worrisome aspects were the impact on financing and banking operations. While also noting that WTO rules (and bilateral agreements) would require Vietnam to open its financial markets and banks to foreign companies. Stiglitz noted that when these arenas are opened quickly and without careful measures, there would be a high degree of risk to national financial stability. In fact, many countries have had to pay dearly for the liberalisation of capital markets, as was the case in Brazil and Argentina (Vietnamnet 2004). Stiglitz also raised concerns about intellectual property rights especially in relation to pharmaceuticals. He said that these provisions limited access to high-technology and knowledge in developing countries. In the pharmaceutical sector, people in poor countries would, for example, find it difficult to get access to the best medicines (Vietnamnet 2004). Finally, Stiglitz raised concerns about increasing inequality that was an inevitable outcome of rapid trade liberalisation. He recommended that Vietnam prepare a social safety net to redress inequality. Stiglitz assessed that 'I do not deny that Vietnam has achieved tremendous success in poverty reduction, but the government still needs to have an overarching policy, with particular attention to the mountainous areas in disadvantaged' (Vietnamnet 2004).

The fact that these two well-known critics of the WTO were invited during the period in the leadup to joining the WTO, indicates that the government wanted to maintain a sense of caution around free market prescriptions, and also wanted to be ready for their impacts, which in turn signifies a social developmental mindset. Overcoming nervousness and worries, and after listening to advice from the experts, the Vietnamese government applied for accession to the WTO in January 1995. The WTO General Council approved Vietnam's membership agreement on 7 November 2006 and then Prime Minister Nguyen Tan Dung emphasised both opportunities and challenges when Vietnam joined (Ministry of Foreign Affairs 2007). The opportunities were seen in the process of joining the international market; improving Vietnam's business environment by following WTO's regulations; and increasing Vietnam's position in making global commercial policies. The challenges were seen as: the increased competition; the weakness of the country's economic potential; the unfinished legal system; and the limited experience in economic market management. The Prime Minister concluded that:

With the great achievement after 20 years of *Doi Moi*, looking at the positive changes in competition and economic integration in several years and at the experiences and results from other countries joining in the WTO, all of this provides a strong belief that we can take the advantages from opportunities and pass the challenges. Some enterprises may get into difficulties, even face bankruptcy, but many enterprises will keep stable and develop, many new enterprises will join in the market and the national economy will develop by our targets and directions (Ministry of Foreign Affairs 2007).

Five years after the accession to the WTO, the Ministry of Planning and Investment (2013), provided an overall assessment on Vietnam's socio-economic performance. It was based on preparatory reports by the Central Institute for Economic Management (CIEM 2013). According to this report, Vietnam had adapted well to the WTO accession commitments in tariffs, services liberalisation, and the trading rights (the right to export and right to import). The report found that:

Except for IT and textiles products, WTO tariff commitments for other products have no big impact since the extent of reduction is insignificant and the roadmap is rather long. WTO commitments have more impacts on institutional aspects

(trading rights, distribution rights, investment) and on the services sector. These commitments induce the shift of investment structure and commercial activities. Consequences may include: (i) the upgrading process of production capacity and new export capacity may be restrained if domestic production costs are still high; and (ii) greater possibility of import expansion (Ministry of Planning and Investment 2013: 6-7).

Thus, Vietnam implemented seriously the WTO commitments but via a roadmap and over an adjustment period, suggesting a developmental state mindset. For example, in the binding tariff commitments, which cover some 10,600 lines and will produce a smaller final rate, the period for implementing tariff reduction is from five to seven years. Specifically:

The average ad valorem tariff rate of 17.5% was to be reduced to 11.4% by 2019. For agricultural products, the tariff reductions had to be made from 22.4% to 20.9%, and for non-agricultural products tariff the reductions will result in average tariff being brought down from 13.1% to 12.6% within the implementation period (WTO 2013: 13).

Vietnam also developed and completed many important legal adjustments to make the economic and commercial law system more in line with international practices and WTO regulations. Evidently, just one year after accession to the WTO, the adjustment and issuance of the law and ordinance were completed, although some sub-law documents were still being completed. Vietnam actively changed about thirty laws and ordinances to be in accordance with WTO regulations (Pham 2008). A report on Vietnam carried by the WTO (2013) confirmed that the Vietnamese state authorities had passed ‘368 laws and ordinances’ since the 1992 constitution. Based on these legal reforms, the ‘key institutions of the market economy have been established’ and it has contributed to ‘creating a good legal environment for business by protecting the right to do business and prohibiting unfair competition in conformity with the WTO rules’ (WTO 2013: 5). These requirements for changes demonstrate the notable effect of the WTO on Vietnamese legislative autonomy.

An interview with Dr Ngo Huy Duc, Director of the Institute of Political Science, Ho Chi Minh National Political Academy, demonstrated that the perception of benefits from accession to the WTO has permeated various institutions. He said:

Regarding the WTO, the most positive challenge is that the state has to change the way the system operates. We must remove the way of thinking of the centrally planned economy, consequently, policymaking has been fairer, not like the example, Hanam received five per cent and Hanoi received ten per cent [demand-supply decision in the command economy]. Under these impacts, the Vietnamese state has to adjust behaviours, institutionalism, and even regular practices.

Facing the Challenges after Accession to the WTO

Along with these positive outcomes and perceptions, the Vietnamese economy still faces challenges, such as a high consumer price indicator, an excess of imports over exports, the the lack of sustainability in the quality of growth in some industries, and weak capacity at various levels (Thanh Luan 2012). Certainly, WTO access has seen the economy more and more sensitive to the regional and world economy. As a result, Vietnam has had to cope with many challenges, the biggest of which has been increasing pressure around competitiveness, even in the domestic market as it is opened to foreign enterprises. At the same time, due to linkages with the international market, the impacts of changes international have been quicker and stronger than before.

Perceptions are also important is understanding the impact of WTO accession. Newspapers, for example reveal that many Vietnamese businesspeople have questioned the state's positive narrative about the WTO adjustment. As one journalist put it, in 'swimming from brooks to rivers and ocean' it is inevitable that shortcomings or disadvantages for Vietnamese enterprises will occur (Thanh Luan 2012). For instance, Dr Dinh Thi My Loan, Vice President cum General Secretary of the Association of Vietnamese Retailers, stated that while the retail market has developed spectacularly after five years, it is still weak due to its small scale, slow pace, scattered nature and to weakness in purchasing power (Cited in Thanh Luan 2012). This is because the market is mainly traditional retailers whereas the modern retail section accounts for only 20 per cent nationwide, so that the sector will continue to struggle to compete with multinational competitors. Retail enterprises are weak in many aspects, including innate weaknesses (such as in professionalism, long-term strategy, financial capacity and so on). 'In other words, the numerous challenges are existing in parallel and are a serious

disease in market development in three levels: state, industry and enterprise' (Cited in Thanh Luan 2012).

Mr. Do Ha Nam – President of Vietnamese Pepper and a representative of INTIMEX Corporation has also stated that with WTO accession, one difficulty for enterprises in general and for exporters in particular has been high rates of interest (Cited in Thanh Luan 2012). Enterprises work hard but the interest rate is not appropriate. He felt that the state should have a policy to lower interest rates as one means to boost productivity.²² Along with other weaknesses such as management shortcomings, Mr. Nam was concerned that: '...foreign enterprises have the upper hand in the market while Vietnamese companies are losing this advantage' (Cited in Thanh Luan 2012). Control of domestic interest rates is a key concern for developmental state approaches, thus the WTO has clearly weakened one major lever for the government. Along with the small scale of domestic enterprises and incomplete markets, WTO accession has exacerbated development challenges. However, equally, these challenges have also created strong pressure on the Vietnamese state authority to change its policies in order to ensure domestic enterprises can compete with the foreign one.

In summary, it can be seen that challenges to Vietnamese developmental mindset might have arisen after the accession to the WTO in two ways. The first challenge was in how the Vietnamese government adjusted the domestic law system to be more appropriate to the WTO rules and provisions compared with how this would influence domestic well-being, and state capacity to regulate business and shape socio-economic development. Although the government report confirmed many laws had been changed, some sub-law documents are still being altered, and a further issue is whether these changes are brought into practice in a timely fashion, especially as Vietnam has a history of implementing the requirements of IOs, at a minimum, and at its own pace (Engel 2010). Still given the strong enforcement capacity of the WTO and its commitment to rules, Vietnam does not have the manoeuvring room that it has found with other IOs. Over time, this is likely to influence the views of legislators and businesses as the new free trade rules are increasingly normalised. The second challenge to the developmental mindset of Vietnam following accession to the WTO is apparent in the state capacity to

²² This method had normally been common government strategy in the past, but is more difficult with WTO and other treaties which demand banking liberalisation in the context of political regime of Vietnam.

manage the domestic economy. This was reduced with WTO membership as Vietnam was required to move to a more market based system, with concomitantly less room for government engagement and more pressure from international competition. This competition has produced some backlash with calls for renewed support for domestic enterprises but again the new environment is likely to change thinking about development over the longer term.

4.4. Conclusion

The expansion of IOs and their influence on national development across the world is an undoubted reality. There have been extensive discussions of different aspects of the influence of IOs on national development such as trade, business, culture, or policy. Some analysts see IOs contribute to improving nation state capacity, others claim IOs are a cause of declining state autonomy thus limiting developmental state capacity. However, it is widely accepted that although IOs are created from states, they still have independent power and influence on many aspects of states. From the perspective of Stiglitz and Bello, the IMF, WTO, and World Bank have an unfair set of rules and operations. These often bring benefits to only to rich countries, represent the power of Western corporations, control globalisation and spread the political hegemony of the developed states. These outcomes have created a range of challenges to developing countries, in particular limiting their macroeconomic management options, in other words their developmental options.

Regarding the UN system, Vietnam has taken advantage of its capital and intellectual and technical assistance for socio-economic development. The UN can enhance state capacity, as was the case with Vietnam, because it can be a forum for the exercise of its external relations policies. However, the UN's work supporting 'the independence of the judicial adjudication', civil society actors and human right are 'sensitive issues' in Vietnam, and not surprisingly create tensions not just for political and cultural values but around the developmental outlook. A typical example of that situation is UNDP focus on national governance. Their projects were built on three main pillars of 'parliamentary development, rule of law and access to justice, and public administration reform' (UN in Vietnam 2013). UNDP Vietnam is a provider of policy advice in the area of national governance. This position has allowed it to have a strong influence on a

wide spectrum of policy making in Vietnam. This has created pressure on the state and that can be also seen as a challenge to state autonomy and vision. At the end of the day, the government has to consistently endeavour to implement policy reform suggested by the organisation, demonstrating its influence over the development trajectory.

In terms of accession to the WTO, Vietnam was aware of the challenges and benefits of becoming a WTO member well before its application for membership. One of the biggest challenges in joining the WTO was increased international competition for Vietnamese enterprises. The chapter has shown that Vietnamese business community, state governance officers and other civilians were, and still are, nervous, concerned and even suspicious as to whether the country can effectively deal with the changes in the business environment. They question state capacity to react to the multi-faceted challenges of economic integration from entering the WTO, which in turn may become a challenge to its developmental outlook. Changes to the law represent another area of perceived challenge to the country.

The above brief case studies of the UN and the WTO aimed to develop a sketch of the impact of international organisations on Vietnamese policy makers and their developmental ideas. In order to provide more in-depth investigation, the next chapter focuses on the World Bank in Vietnam, critically evaluating the evidence of what and how its influences the Vietnamese state in general and the perceptions of its influence.

Chapter Five

International Organisations in Vietnam and their Influence on the Developmental Mindset: a case study of the World Bank

This chapter explores first the history of the lending relationship between the World Bank and Vietnam. This is largely a descriptive section outlining the focus and volume of Bank lending. The second section of the chapter provides a more critical perspective on the relationship through an exploration of three main arenas of Bank activity: Country Assistance or Partnership Strategies; leading donor coordination; and the Bank's activities in advice and consultation. The aim of this chapter is to shed light on perceptions of Bank lending and its impact on the Vietnamese party-state role in thinking about and leading the course of development.

5.1. A brief history of the lending relationship between Vietnam and the World Bank

This section provides an overview of the Bank's lending operations in Vietnam from 1976 through to 2011, which is the end date for this study. The aim is to highlight the volume and target areas of Bank lending and thus indirectly give a sense of the extent of the relationship between Vietnam and the Bank. This section draws predominantly on official documents provided by the Bank, in particular the World Bank (2012) and (2012), thus all material is from these documents unless cited otherwise.

1976-1985: A false dawn

The Socialist Republic of Vietnam (SRV) assumed Vietnam's membership at the World Bank in 1976 when it was declared a state. The first delegation from the SRV visited Washington in October 1976 and met with then President of the Bank, Robert McNamara (previously US Secretary of Defence). The first economic mission of the Bank visited Vietnam in January-February 1977. This paved the way for an International Development Association (IDA) credit, which was approved in August 1978 for the Dau Tieng Irrigation Project – \$60 million for dam construction on the Saigon River and 14,000 hectares of irrigation (for rice and groundnuts).

After Vietnam's involvement in Cambodia began in December 1978, many Western European and Asian nations supported the US-led embargo. The World Bank also warned that tensions with Cambodia could affect Vietnam's relations with it. Vietnam intervened in Cambodia anyway and the Bank suspended high-level missions and new operations in Vietnam for a decade. In addition, at that time, the country could not afford to pay off loans to the IMF, the World Bank and a number of bilateral creditors and commercial banks. Thus the IMF and other international financial institutions suspended the Vietnam's borrowing rights. Moreover, US's political intervention prevented 'US funds being used for loans to Vietnam and a handful of communist states' (Engel 2010: 92).²³

1986-1996: A new beginning

Vietnam re-established contact with the World Bank in 1987, so that following a request from the Vietnamese to resume lending, the Bank sent a small economic mission to Vietnam in 1988 to learn about *Doi Moi*. In addition, the end of Vietnam's involvement with Cambodia in September 1989 opened the door to new lending from the Bank.

The first round of new lending was approved in October 1993 and was directed at Primary Education (\$70 million) and Highway Rehabilitation (\$158.5 million) (World Bank 2012: 15). Total lending in the Financial Year (FY) of 1994 was \$325 million. The Bank quickly took the lead on donor coordination in Vietnam, leading the Consultative Group (CG) meeting. They opened a resident mission in Hanoi in May 1994 and then created a Country Assistance Strategy (CAS) for FY95-97 in September 1994. This CAS included five key elements: macroeconomic stabilisation and structural reforms in fiscal management, state enterprises, financial sector and trade policy. These were the base of the International Development Association (IDA) lending program of \$330-420 million per year, with project lending focused on infrastructure, rural development and human resource development. In October 1994, the first Structural Adjustment Credit (SAC) was approved for \$150 million.

²³ Correspondence between Congressman C. W. Young, who was delaying US replenishment of Bank funds, and McNamara was leaked. In it, McNamara told Young that 'the Bank would not again lend to Vietnam, in return Young agreed to end this campaign, support the capital increase and Bank replenishment' Engel (2010: 92)

1997-2002: A new partnership

The new CAS for FY97-99 proposed an expanded lending program, specifically, IDA lending was to increase to \$400-500 million per year based on good progress on macroeconomic performance, economic reforms and project implementation, and fair burden sharing with other donors (who were expanding their programs in Vietnam). In fact, project lending continued to grow rapidly exceeding the CAS goals, with \$502 million in FY 1996 and major new credits for power development (\$180 million), rural finance (\$122 million) and national health support (\$101 million) (World Bank 2012: 19).

The Country Director for Vietnam moved to Hanoi in September 1997. This was the first Country Director decentralised to the field as part of the 1997 Bank reforms (World Bank 2012: 20). In August 1998, the CAS for FY99-02 proposed three lending scenarios based on progress on policy agenda; ranging from \$300 million per annum (low case) to slightly more than \$800 million per annum (high case), with a base case of \$580 per annum. The low case lending ‘happened in two years FY99 (\$308 million) and FY00 (\$286 million)’ (World Bank 2000: 13). The central development in this period was preparation of a Comprehensive Poverty Reduction and Growth Strategy (CPRGS). This was Vietnam’s version of the Poverty Reduction Strategy Paper (PRSP) and a Bank requirement for continued policy lending (Engel 2010). The process started in mid-2000, and produced an interim - PRSP (I-PRSP) in March 2001 and a full PRSP in May 2002.

The Bank’s poverty work in Vietnam was considered ‘best practice’ by the Bank though it did not always include adequate consultation with the poor, nor a focus on their empowerment. Rather this was a technocratic approach to providing a benchmark for monitoring the impact on poverty. The Bank also claims that the CPRGS provided a framework for stronger donor coordination as well as the resumption of policy-based lending. This saw the overall CG commitments to Vietnam averaged around \$2.5 billion per annum from 1996 to 2002 (World Bank 2012: 22). Unlike most other low-income countries, aid to Vietnam in this period was still dominated by project loans (80 per cent of commitments) rather than budget support and sector-wide approaches. A long-delayed SAC was transformed

into the First Poverty Reduction Support Credit (PRSC I) (of \$250 million plus \$48 million in co-financing) to support implementation of the I-PRSP.

2003-2006: A stronger program

In September 2002, the new CAS for FY03-06 was built on the CPRGS framework and it supported continuing strong poverty reduction and economic growth with the private sector as the engine of the growth, and remittances and FDI inflows to help finance the widened trade deficit. The CAS was organised around the three themes of CPRGS: ‘(1) supporting the transition to a market-oriented economy; (2) enhancing equitable, socially inclusive and sustainable development; and (3) promoting good governance’ (World Bank 2012: 23). The lending program was similar to previous CAS, with an annual average of \$290 million in low case, \$580 million in base case and \$760 million in high case. In reality new project lending reached \$593 million in FY02, but this was achieved, in part, by running down the project pipeline (World Bank 2012: 26). New lending was also delayed by the impact of SARS (which delayed preparation of two road projects). Therefore, project lending fell sharply to a record low (\$193 million) in FY03. However, project lending expanded from a low of \$193 million in FY03 to an average of \$590 million per annum over the next four years. Together with the PRSCs, this put total lending around \$700 million per annum (World Bank 2004).

2007-2010: Instability and transition

The CPRGS changed its name to the Country Partnership Strategy (CPS) for 2007-2011 but it was still organised around the same four pillars (Business Development; Strengthen Social Inclusion; More sustainable management of natural resources and reduced environmental degradation; Strengthened governance systems). A common theme, over the period, was the need to complete remaining structural reforms while moving ahead with a set of supposedly ambitious second-generation reforms. The CPS also envisaged an opportunity to blend IDA and International Bank for Reconstruction and Development (IBRD)²⁴ resources as Vietnam approached middle-income status towards the end of the plan period.

²⁴ The IDA is the part of the World Bank that helps the world’s poorest countries. Established in 1960, it aims to reduce poverty by providing loans (called ‘credits’) and grants for programs that boost economic growth, reduce inequalities, and improve people’s living conditions. The IBRD was established to

For Vietnam, rapid economic growth, sustained over two decades, supported a remarkable record of rising incomes and falling poverty, but the Bank argued that economic progress was threatened by macroeconomic instability in 2007 and 2008. Initial problems were compounded by a series of external shocks, including the surge in world commodity prices in 2007-2008 and the impact of the Global Financial Crisis (GFC) on export orders in late 2008 and early 2009. As a result, GDP growth fell to 6.3 per cent, inflation rose to 20 per cent in 2008, external reserves fell and the budget deficit rose sharply (World Bank 2012: 32). Year later, Vietnam is still coping with many fundamental development challenges, these shocks were significant for the country.

The Bank was also going through a transition and there were three Country Directors appointed between 2007 and 2009. These frequent management changes and gaps affected the leadership at a time when Vietnam was facing major economic challenges and the Bank was transitioning towards IBRD support. The Bank claims that policy dialogue and policy-based lending continued to be strong, but there was less attention to the details of project work and donor coordination.

For these reasons, most of activities in this period were based on two main reports - the CPS Progress Reports and the Vietnam Development Reports (VDR). The CPS Progress Report (World Bank 2007) confirmed Vietnam's transition to IBRD/IDA blend status. The Bank declared Vietnam IBRD-eligible in October 2007 and the first operations were planned for FY 2010. To ensure a phase-in of IBRD lending, it was decided that Vietnam's shift to blend status would not affect its IDA allocations through to FY 2011. The World Bank supplemented the annual PRSC series with a \$500 million Public Investment Reform Development Policy Loan in November 2009. This was the first IBRD operation for Vietnam and supported actions to strengthen the public investment project cycle (project selection, implementation, financial management and oversight). The Vietnam Development Reports, VDR 2010 on "Modern Institutions" and VDR 2011 on "Natural Resources Management" contributed to analysing numerous emerging issues in Vietnam such as the challenges of devolution and accountability, and

function as a self-sustaining business and provides loans and advice to middle-income and credit-worthy poor countries. The IBRD and IDA share the same staff and headquarters and evaluate projects in the same way.

the implications for government reform, and the increase pollution and the extraction of natural resources.

2011: Looking forward

While Vietnam avoided a full-blown economic crisis, the Bank not surprisingly saw continued progress on macroeconomic reform as a prerequisite for sustainable growth. Vietnam's new Socioeconomic Development Strategy (SEDS) for 2011-2020 lays out the country's medium-term objectives and priorities, to which the Bank responded that this strategy provided a good starting point for the next Country Partnership Strategy (FY12-16). Interestingly, the Bank says its role in providing access to knowledge on development is consistently raised by Vietnamese officials as its most important contribution (World Bank 2012: 37). They argue that with the middle-income status access to IBRD resources has to be managed carefully. In July 2014, the World Bank President Kim Yong Jim, on his visit to Vietnam affirmed that 'the Bank has decided to continue funding commitments to Vietnam of nearly \$4 billion in IDA 17 period [2014-2017]. We committed to mobilize maximum resources possible to support Vietnam, Kim said' (Ministry of Foreign Affairs 2014). Thereby, 'continuously for 9 year period from 2008 to 2017, Vietnam is one of two countries receiving the biggest IDA loans in the world, the Vietnam Prime Minister Nguyen Tan Dung emphasised' (Nguyen 2014).

Looking back at the history of the Bank's operation in Vietnam, this review demonstrates that Vietnam quickly became a very significant lender for the Bank, which has a very high level and detailed engagement with the country. The World Bank is one of the IOs with the most presence and engagement with the country and thus its influence on the state's development mindset and strategy has been potentially significant. Notably, the Bank has been engaged with the GoV in addressing issues from both theory and practice in the transition from centrally planned economy to a market economy. It has worked in areas such as privatisation, state sector reform, democratic governance enhancement, financial sector and trade policy, all of which are vital to the state's developmental trajectory. Through the expansion and depth of these programs, the Bank has influenced Vietnam's transition. In order to have a far-sighted evaluation, the next sections investigate

some significant programs of the Bank in Vietnam and analyse the impact of these programmes on the Vietnamese development programs and the perceptions of policy makers and academics about the Bank's developmental approach.

5.2. The World Bank's influence on Vietnam's transition

As illustrated in the above section, the Bank has been running a range of programmes and increasing its interventional activities in Vietnam. The impact of the World Bank on Vietnam's development can be seen in various fields and at different levels such as economic structural reform, poverty reduction, enhancing competitive capacity and environmental investment. Thus, it is necessary to generalise the main areas of the Bank's activities in order to have a comprehensive consideration of its influences. Therefore, this section will measure the impacts on Vietnamese developmental state mindset and policy by examining three main arenas of Bank activity: Country Assistance or Partnership Strategies; leading donor coordination; and the Bank's activities in advice and consultation.

The Country Assistance Strategy (CAS)/ Country Partnership Strategy (CPS)

The CAS is considered as the central pillar and tool of the Bank's operations and through these strategies, we can find out its vision for development, which the Bank says is focused on poverty reduction (World Bank 2011).²⁵ The key instrument supporting the CAS is Poverty Reduction Support Credits (PRSCs) from the IDA. The CAS changes to a CPS for middle-income countries and is accompanied by loans from the IBRD.

Looking back the various CASs/CPSs in Vietnam, it can be seen clearly that the amount of IDA lending increased over the years. The first CAS 1995-1997 said IDA lending would range from \$330 to \$420 million per year, in fact the outcome was \$415 million (World Bank 2001: 6). The proposed lending in FY 96-98 was \$1,000 to \$1,260 million whereas actual lending was 1,247 million (World Bank 2001: 6). The CAS 1999-2002

²⁵ The World Bank Group consists of five IOs – the IBRA, IDA, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes.

approved \$308m in FY 1999, \$286m in 2000 and \$629 million in 2001 (World Bank 2001: 17). The CAS 2003-2006 approved IDA loan of \$700 million per year and the CPS 2007-2011 approved annual IBRD loans of around \$900 million (World Bank 2012). According to the CPS progress report 2009, the IDA allocated ‘\$900 million for FY08 (the last year of IDA 14)’, and during FY07-FY09 ‘IDA commitments totalled more than US\$3 billion, 11 percent higher than envisioned in the CPS’ (World Bank 2009: 1, 5).

The 1995-1997 CAS, through a structural adjustment credit (credit No. 2657-VN 1994), five specific objectives were pursued:

- (1) to work closely with the IMF to strengthen the institutions of macroeconomic management;
- (2) to support the transition to a market economy and the expansion of the private sector through development of key policies and institutions;
- (3) to take the lead among donors in assisting the Government to plan and finance infrastructure development;
- (4) to help the Government to develop and implement a strategy for alleviation of poverty; and
- (5) to help the Government to develop and implement a strategy for sustainable use of natural resources (World Bank 1995: 13).

Regarding the objective of supporting the ‘transition to a market economy and the expansion of the private sector’, the Bank pressured and challenged the Vietnamese on the process of transition to the market economy, in particular pushing for a faster pace for reform. The transition to a market economy and the expansion of the private sector involved shifts at the policy level. However, *Doi Moi* did not radically shift the government’s stance on deregulation and privatisation. The 1992 Constitution alluded to a policy that ‘promotes a multi-component commodity economy, functioning in accordance with market mechanism under the management of the state’ (Article 15). It was not until Resolution 51/QH10 by the National Assembly (2001) that policies promoting a market economy, though still following a socialist orientation, were embraced. Note that ‘under the management of the state’ and ‘following a socialist orientation’ give slightly different connotations of the way ‘market economy’ should be perceived and understood. A market economy with socialist orientation means that the state-owned economic sector still plays a significant role in the national economy, which is opposite to the Bank’s expectations of promoting privatisation and equitisation. Perhaps not surprisingly, the Bank has regularly pushed for faster expansion of the private sector in Vietnam:

There has been successful privatisation of a few firms on a pilot basis. The Government is preparing to open a stock market within one to two years, which would facilitate privatisation through the sale of shares. While the State Enterprise Law creates a framework, progress toward reform of strategic and divestiture of non-strategic firms has been slow. This is an important area in which the Bank is recommending more rapid reform (World Bank 1995: 10).

The theme is clear again in the 2000 CAS progress report, when the Bank stated that ‘the Authorities [the government and Party] have not been willing to take the perceived risks of rapid banking, state-owned enterprises and trade reform, and private sector deregulation’ (World Bank 2000: 5). The Bank has consistently wanted the Vietnamese government to engage in more, and more rapid, deregulation and to give up more power over resources than Vietnam has been willing to do (see also Engel 2010). Here is a clear conflict over the developmental vision for the country writ large. Thus the Bank has exerted pressure on, and trained the Vietnamese government and its officials into, its worldview. For example, jointly with the IMF, the Bank organised seminars and workshops to bring ‘lessons of international experience in banking, state-enterprise and trade reform to Vietnamese policymakers’ (World Bank 2000: 5-6).

One of the central focuses of the Bank in the early 2000s was to support the creation of a better environment for private economic development. As a result, a Private Sector Forum was established, managed by the International Finance Corporation (IFC), the Vietnamese Government and the World Bank. It supposedly became a place of ‘genuine dialogue’ for the private sector, something that the Bank claimed had never been available before in Vietnam (Operations Evaluation Department 2001: 12). Furthermore, the Bank carried out other projects with the private sector that focussed on promoting small and medium domestic enterprises in particular such as the Mekong Project Development Facility (World Bank 2003: 1).²⁶ Here we see the Bank trying to create a particular view of Vietnam’s development vision through engagement with the private sector.

Besides implementing projects and loans with the private sector and reforming state-owned enterprises, the Bank has also focused on providing policy advisory services. This emphasis

²⁶ This is an organisation supporting the development of private, small and medium scale enterprises (SMEs) in Vietnam, Lao PDR and Cambodia, which is managed by the IFC and financed by donor countries and multilateral institutions.

was clear in the 1995-1997 CAS and it has been a consistent focus since. The Bank argued that changing policy is an important milestone in the reform process as it lays the foundation for a market in practice. However, in Vietnam, the Bank considered that bureaucratic management caused institutional weaknesses. The Bank warned that:

The main risk that may interfere with Viet Nam's achieving its ambitious development objectives comes from policy inconsistencies. This CAS has noted the Government's achievements, but has also pointed out important areas in which policy reform lags. Inconsistent messages about trade policy or land use rights or the role of the private sector in the economy will create uncertainties that deter saving and investment (World Bank 1995: 12).

Through these above warnings, the Bank pushed Vietnam toward more liberal policies on trade, private property and markets, in other words towards a neoclassical development model. The Bank did note that the combination of 'commercial borrowing, state enterprise reform, and trade liberalisation' could produce a down-side (World Bank 1995: 13). This seems to be a vague acknowledgement of the problems that arose from big bang privatisations in Russia in particular. Yet it continued to push its neoliberal development model.

To promote policy reform, the Bank implemented various advisory activities. The CAS Progress Report (2000) showed that the Foreign Investment Advisory Service (FIAS)²⁷ had provided 'advisory services on foreign investment promotion', and that the Bank had completed 'a major review of obstacles to the Private Provision of Infrastructure...' (World Bank 2000: 6). Specifically, with the strategic objective of improving the investment climate for both foreign and domestic private sectors, the Bank argued that the foreign investment law needed to change. Therefore, a report on 'Foreign Investment Policy and Implementation' was completed by FIAS (World Bank 2000: annex 1), which 'suggested' policy changes to the Government (World Bank 2000: annex 1). These activities demonstrate how the Bank has used technical advice to train Vietnamese officials in a neoliberal approach to investment policy, and in this process, clearly aim to shift the mindset about development away from developmentalism and towards market mechanisms.

²⁷ FIAS is managed by the Investment Climate Advisory Services of the World Bank Group and is the global funding and partnership platform for investment climate reform.

One question that follows is whether the Bank has succeeded with these efforts, which can in part be judged by the perceptions of the GoV about the World Bank and its role in the country. It is difficult to get the views of key GoV figures though the Bank itself has reported on the perceptions of its influence. They argued that Vietnam positively acknowledges the Bank's promotion and advisory services in its transition to a socialist market economy (Operations Evaluation Department 2001). The Operations Evaluation Department (OED) review of the country program in 2001 argued that the Bank had struck an appropriate balance by providing consistent policy advice covering a wide range of issues, including the importance of market forces and a larger role for the private sector. The OED said of the Bank's influence on Vietnam's reform that they had 'a positive impact on decision-makers to maintain fiscal discipline and carry out further tax and trade reforms, devaluations of the exchange rate, interest rate reforms, and some pilot SOE reforms' (Operations Evaluation Department 2001: 19). Thus clearly the Bank perceives it has had a strong influence on the GoV.

Yet, not all the Bank's activities achieve consensus with the Vietnamese state. At times, progress has not been as rapid as they would have liked, although in some cases the Bank perceived that their ideas would have won out in the long-run. For example, in term of private participation in the energy sector:

Although it has taken some years for Government to conclude negotiations for private participation in the energy sector, the Bank's involvement, through lending, technical assistance, and facilitation of grant facilities, has paved the way for private participation in the sector (Operations Evaluation Department 2001: 20).

Would the Bank have been more successful had it pushed more for transition, taken a stronger role in process of reform, or been more zealous advocating for increasing role of the private sector? An evaluation by the OED of the Vietnam Country Assistance Strategy in 2001 found that:

If the Bank had been more proactive within its own projects, for example, in trying to remove obstacles to local private contractors, the domestic private sector might be more vibrant today. But as experience has shown in other countries, pushing hard on reforms when the Government is not willing to undertake them is not likely to succeed. In Vietnam, in particular, where

decision-makers hold differing views, such an approach could have been counterproductive... A more aggressive or intrusive approach is unlikely to have caused Vietnam to move farther or faster in its reforms (Operations Evaluation Department 2001: 21).

Thus, we see an acknowledgement here by the Bank that too much pressure can backfire in terms of their influence on the state. Nevertheless, the quote also confirms that the Bank does try to drive Vietnamese development thinking and that it sees things are progressing in the pro-market direction that it desires.

Turning to the CPS 2007-2011, the Bank perceived that this was an important milestone in their influence on Vietnam's transition. Overall, the broad objective of this CPS was 'to support the Government's program of strengthening and establishing institutions to sustain a modern, equitable market economy, in preparation for middle-income country status' (World Bank 2009: 1). The CPS was focused on four key pillars; '(1) Improve the business environment; (2) Strengthen social inclusion; (3) Strengthen natural resource and environment management; and (4) Improve governance' (World Bank 2007: vi).

The CPS progress report by the World Bank (2009), provided a specific assessment of the 'development impact of CPS program' by its four pillars. The focus here is on the policy changes and influences of this CPS across pillars (1) and (4), the two that most relate to developmental state issues. In pillar one, business improving the business climate and strengthening competitiveness, the report assessed the implementation in a range of sectors: finance, transport, energy, urban water supply, and higher education. The Bank claimed that integration into the world economy has been a main driver of economic reform in Vietnam and that they would seek to assist Vietnam in 'further liberalisation', 'an improved analytical base for implementing the WTO obligations' and 'model privatisation of large SOEs' (World Bank 2007: 26). The Bank's perceptions were supported by an index from the World Economic Forum (WEF), which said that 'Vietnam improved its score of overall competitiveness from 3.9 in 2006-07 to 4.2 in 2011-12' (Independent Evaluation Group 2011: 5). That is a general index of the country's competitive capacity, but to an extent, it also reflects improvements in the business environment and competitiveness. This material, from what is effectively a business lobby group, is uncritically presented as support for the Bank's perception that further reform is needed.

The second objective was to foster a financial system that was more efficient, stable and responsive to the needs of business and households. Specifically, the program aimed to strengthen the State Bank of Vietnam (SBV), have it create a ‘modern’ and ‘independent’ monetary policy, and increase the share of infrastructure financed by the private sector. An independent central bank has long been a core part of neoliberal development strategy, as this takes a key tool for economic management out of the hands of government and places it with economic technocrats. If this were achieved, it would be a strong sign of Vietnam moving to a more neoliberal development mindset. However, as of the completion of this thesis, the Bank had not yet achieved this.

Neoliberal economics is also hostile to state control of banking. Thus it is not surprising that the Bank was pleased to report that, over the CPS period, ‘credit to the economy (government excluded) rose from 71 to 120 percent of GDP between December 2006 and December 2010, and the share of non-state banks in it increased from 32 to 47 percent between 2006 and 2009’ (Independent Evaluation Group 2011: 5). The Bank also achieved revision of the SBV and Credit Institution Laws in mid-2010 (Independent Evaluation Group 2011: 5). The Bank has emphasised its contribution saying:

Two important banking laws (Law on Credit Institutions and State Bank of Vietnam Law) were redrafted, albeit later than planned. They have been submitted to Government and are scheduled for final approval in 2nd quarter of 2009. The Bank has been actively supporting the process with an IDF grant as well as through direct advisory technical assistance services on the revision of the drafts laws and related regulation (World Bank 2009: Annex 2 p.1).

Beside these above legal frameworks, the Bank funded a project to the SBV entitled ‘Financial Sector Modernisation and Information Management System’ (FSMIMS) with total amount of \$71.83 million. The project was approved on April 2009 and was to be implemented in five years. The project had three parts: modernising the SBV; strengthening the Credit Information Center; and enhancing the capacity of the deposit insurance scheme for Vietnam (State Bank of Vietnam 2009: 6). Thus, with the central focus on revising the heart of financial system, the SBV, the Bank expected to change this institution to become more independent and then use this key tool to improve the business environment and its competitiveness. However, the results were not satisfactory, as the

Independent Evaluation Group's (IEG) assessment was that 'SBV, though, is not operationally independent yet' (Independent Evaluation Group 2011: 6).²⁸

The IEG provided an overall evaluation of this pillar in their Country Partnership Strategy Completion Report (CPSCR) Review (Independent Evaluation Group 2011: 1). They rate this pillar outcome just as moderately satisfactory. Although the business environment and its competitiveness were improved, the IEG considered it fell 'short in many instances from the targets set by the WBG strategy, and, in some cases, had important shortcomings'. Specifically, the IEG defined that 'improvements in the financial sector are not entirely satisfactory' and there was a weakness in the link between business environmental improvements and competitiveness (Independent Evaluation Group 2011: 7).

By contrast, Vietnam prefers to undertake slow step-by-step, economic structural reform. In the banking and finance areas, Vietnam has been very strict and its regulations state that 'the state shall undertake the unified management over all banking activities; ... ensure the leading and driving role of state-owned credit institutions in monetary and banking activities; [and] maintain socialist orientation and the national sovereignty' (National Assembly 1997: Article 2). The Bank seems in a hurry to see the GoV race ahead on further liberal reforms, opening up the states' financial management. Here we see the battle over the vision for Vietnam's developmental approach being played out and the way that the World Bank has clearly taken an active stance in what is ultimately a political decision about the development trajectory. Further, these differences created difficulties for the GoV in implementing projects/programmes in line with the Bank's provisions.

In pillar four on 'strengthened governance systems', a key area for Bank action is changing public procurement procedures towards a market-based and competitive process. This is supposedly the most efficient approach but it is also about removing government from service delivery in favour of the private sector. In this respect, the Bank said that:

Although, the Government regularly seeks inputs from the Six Banks²⁹ on public procurement, extensive comments provided on drafts of legislation, decrees, and

²⁸ The IEG is charged with evaluating the activities of the World Bank Group. The Director-General of IEG reports directly to the World Bank Group's Board of Directors. The evaluations aim to provide an objective assessment of the results of the Group's work and to identify and disseminate lessons learned.

standard procurement documents have not been adopted by Government. The Bank has, nevertheless, continued to provide technical and financial support to the Public Procurement Administration of the Ministry of Planning and Investment in (i) drafting legal instruments, (ii) preparing standard procurement documents, (iii) establishing a web-based e-procurement bulletin, (iv) establishing an M&E system for assessing the quality of the system and measuring compliance and performance; (v) increasing awareness of the importance of public procurement, and (vi) implementing the public procurement law (World Bank 2009: annex 2 p.11).

The Bank claim that its efforts have resulted in some progress in execution of budgets and in term of process of budgetary policy making, in particular launching a ‘medium term fiscal and expenditure frameworks in six ministries’ and piloting it in four provinces (Independent Evaluation Group 2011: 10). However, despite the country’s progress against Bank criteria, it is interesting to note that the overall fiscal policy and budget plan in Vietnam were assessed as ‘lower “red” range of “Scant or No Information” by the International Budget Partnership’s Open Budget Index (OBI)’. Similarly, another evaluation of an international think tank asserted that ‘Vietnam’s budget processes and the public’s access to information are both very weak, having deteriorated between 2006 and 2009’ (Independent Evaluation Group 2011: 10). Again, we see the Bank turning to the weight of external (but not independent) organisations to attempt to reinforce its developmental vision. The IEG rated outcome of this pillar as ‘*moderately unsatisfactory*’, the only one unsatisfactory of four pillars, see Table 5.1

Table 5.1. World Bank’s Assessment of Achievement of CPS Objectives

Objectives	IEG Rating
Pillar 1: Business Development	Moderately Satisfactory
Pillar 2: Strengthen Social Inclusion	Moderately Satisfactory
Pillar 3: More sustainable management of natural resources and reduced environmental degradation	Moderately Satisfactory
Pillar 4: Strengthened governance systems	Moderately Unsatisfactory

Source: (Independent Evaluation Group 2011: 11)

²⁹ ADB, AFD, JBIC, KFW, and the World Bank

It is clear that strengthened governance systems play an important role in the process of efficient transition to a market economy in Vietnam. Yet, the Bank has a very particular model of what such system should look like and how it would be run. These include objectives which give a very strong emphasis to the tendering out of services and the use of standardised budgetary systems that they can monitor. These are all very standard liberal capitalist procedures, and in contrast somewhat not only with the idea of a socialist market economy, but also with the power-centric habits of the GoV, linked to the history of centrally planned economic management. Reform needs time and that is still a big challenge to GoV in its transition. Thus, here we see quite different perceptions about development and the time that should be taken to develop policy between the GoV and the World Bank.

Overall, the cases above demonstrate the CAS/CPS's neoliberal developmental ideas and their attempts to influence Vietnamese government policy. The Bank certainly has some influence because its policy advice is supported by direct projects/programs, technical assistance, human resource training, etc. Casting a critical glance at the CASs/CPSs, though the claim is that poverty reduction is the central focus of these strategies, it seems that policies to increase the role of markets are actually their first port of call. There is an implicit logic here that is based on the assumption that markets are the *only* source of development and poverty reduction. This was emphasised by Engel (2010) who exposed the actual outcome of the CAS, which 'is not linked to performance on poverty outcomes', but rather the actual outcome was 'linked only to the "pace of progress on the Government's policy and institutional agenda"' (Engel 2010: 97). She showed the evidence from investigating the central focus of the CPRGS as being 'the design of key laws of a "market-driven economy"'. In this respect, Engel raised an important argument, namely that:

So, although the Bank needs and wants to be more "organic" in the PWC³⁰, its structures as a Bank and commitment to hegemonic principles of *pax Americana* expressed in the Washington Consensus, ultimately prevented it from moving beyond superficial interventions and issues (Engel 2010: 97).

Overall, the free market economy ideas that the Bank tries to impose in the various CAS/CPS seem not fit with a socialist-oriented market economy that the GoV aim

³⁰ Post Washington Consensus.

for. Although the features of a socialist-oriented market economy are still evolving, a popular understanding of it is that the socialist state and SOE continue to play a significant role in the economy. However, with its strong effort to race ahead on equitisation and privatisation, to open up public financial management and budget execution, and the like, the Bank seems to skip that ‘peculiarity’ of Vietnam, or, in other words, ‘the Bank’s version ignored the *socialist* orientation of the market economy’ (Engel 2010: 96).

Leading donor coordination

Organising the Consultative Group (CG) meeting has been one of the key activities of the World Bank in Vietnam. The first CG for Vietnam, chaired by the Bank, was held in Paris in 1994, but it moved to Hanoi in 1997, and all the next CGs were held in Vietnam. The CG meetings, as the Bank puts it:

...bring together participants from the Government of Vietnam, representatives of about 50 bilateral and multilateral donors to Vietnam, representatives of the Vietnam Business Forum and International NGOs. Vietnamese NGOs representatives participate as observers. Consultative Group meetings provide a forum for discussions between the Government of Vietnam and its development partners on economic policy issues, strategies for reducing poverty, and ODA effectiveness (World Bank 2010).

According to the Bank, these ‘meetings are viewed as the apex venue for sharing policy perspectives, learning about and discussing new GoV policy directions, and for dialogue focused on emerging policy challenges besetting Vietnam’ (World Bank 2012: 1). Interestingly this statement is in accordance with GoV’s self-assessment and perceptions of the CG. For example, ending the mid-term CG meeting 2011, the GoV’s representative, Minister of Planning and Investment Vo Hoang Phuc, affirmed that the meeting had been successful with frank and open discussion between Vietnam government agencies and donor representatives to find solutions to help Vietnam continue to respond to the unstable macroeconomic situation and high rate inflation. He emphasised that the ‘GoV recognises and appreciates the recommendations and policy advice from donors to promote

sustainable economic development and create a healthy and effective investment climate in Vietnam’ (Tung Linh 2011).

For the Bank, CGs are considered as an important instrument and remain ‘the primary vehicle for donor coordination’. The Bank still always takes the lead on donor coordination, though there was some debate in 2003 when ‘the UNDP was making a case to take the lead on donor coordination’, further: ‘Japan and France were also unhappy with the Bank’s CPRGS’, and the ‘Nordics always wanted to raise contentious issues (such as human rights). However, the situation soon settled down, as donor concerns were addressed. And the regular pattern of working groups, mid-year updates and end-year CGs continued’ (World Bank 2012: 29).

In Indonesia, the government took over the leadership of the CG in year 2005. They emphasised that ‘only with Indonesia itself as chair would the country “be able to make their own choices about the type and model of development that would be adopted. And this would mean that Indonesia could be fully responsible for its implementation and for the loans it borrows”’ (International NGO Forum on Indonesia Development 2004 Cited in Engel 2010: 142). Yet it is clear in the Vietnamese case, that donors still seem to presume they should lead the CGs, despite the focus since the late 1990s in donor policy on country ownership and the inclusion of this in the ‘Paris Declaration on Aid Effectiveness’ (OECD 2005). This suggests they want to shape the country’s developmental strategy and vision.

The chronology of CG meetings showed that the emphasis was different at each negotiation, both in terms of the content and number of agenda items discussed. To some extent, the success of the CGs can be seen by the increases in financial pledge from donors after each meeting (see table 5.1). Actually, the pledges do not always translate to funds and rarely does the full amount pledged actually arrive.

Table 5.2 Chronology of Consultative Group Meetings

Chronology of Consultative Group Meetings			
Host places/years	Annual financial pledge (US billion)	Host places/years	Annual financial pledge (US billion)
Paris, France/1993	1.86	Ha Noi, Vietnam/2003	2.839
Paris, France/1994	1.958	Ha Noi, Vietnam/2004	3.440
Paris, France/1995	2.311	Ha Noi, Vietnam/2005	3.748
Paris, France/1996	2.43	Ha Noi, Vietnam/2006	4.445
Tokyo, Japan/1997	2.377	Ha Noi, Vietnam/2007	5.426
Paris, France/1998	2.192	Ha Noi, Vietnam/2008	5.914
Ha Noi, Vietnam/1999	2.146	Ha Noi, Vietnam/2009	8.063
Ha Noi, Vietnam/2000	2.4	Ha Noi, Vietnam/2010	7.88
Ha Noi, Vietnam/2001	2.399	Ha Noi, Vietnam/2011	7.39
Ha Noi, Vietnam/2002	2.462		

Source: World Bank (2012)

Judging the success and impact of CG Meetings should not only look at the result of the financial pledges. The more important issue at the ‘heart’ of the CGs meetings is the policy dialogue forum. As noted earlier, the CGs were perceived by GoV as the highest-level apex body in Vietnam for ‘exchanging views’ with its international partners on important policy issues facing the country (Tung Linh 2011). The GoV envisaged the CG meetings as a means to facilitate high-level open dialogue on policy issues of cross-sectoral nature, to share relevant experiences and possible remedial measures on policy challenges, and to serve as a platform by GoV for the mobilisation of development assistance. At the meetings, the GoV representatives often raise key issues for the next period and the donors/ partners contribute their experiences in specific issues/ policies.

At the CG meeting in 2011, Vietnam’s Prime Minister Nguyen Tan Dung, stated that the key Government priorities for 2012 and beyond were ‘continuing the stabilisation

efforts, speeding up economic restructuring and poverty reduction’ and he noted that they ‘will focus on restructuring three key areas - public investment, state owned enterprises and banking sector’ (World Bank 2011). The Minister of Planning and Investment, Bui Quang Vinh, assured Partners that ‘ODA resources would be used efficiently in support of Vietnam’s development and stressed the Government’s appreciation for Development Partner policy advice’. He also gave a promise that ‘the Government’s desire to continue regular dialogue with Partners on Vietnam’s development challenges’ (World Bank 2011). This and the size of support to Vietnam suggest that the perceptions of donors are important to the GoV and thus they are likely to influence the state development strategy.

An interview with Ms Bo Thi Hong Mai, Partnership Specialist, Country Director's Office, World Bank, provided additional significant insight about CG meetings. On the effectiveness of the CG meetings, Mai noted:

The CG meetings provided many recommendations to GoV’s policies. The meetings contributed an important measure for building understanding together between GoV and DPs [development partners]. The GoV will know more about the expectations, demands, and activities of the DPs. Turning to the DPs, they also get a comprehensive understanding of the GoV. This is a two-way relationship. To date, Vietnam is a country that shares its success with other countries, it is not only coming to listen and receive experiences from international partners. Any forum needs enhancement, until now, it can be assessed that the CG meetings are very successful.

When asked how the meetings influence on the GoV, Mai noted:

Actually, this is our expectation. In this year [2013], we look forward to the achievement as ‘action oriented’. In the previous meetings, the main activities were the DPs raising comments and then the representation from GoV will confirm their appreciation and consideration on these recommendations. However, they did not have any plan of specific actions to show their implementation. I know policy reform needs a long time to measure its results and demonstrate whether the DPs comments are right or not, but the GoV needs at least to provide their action plan and report in order to see how they followed the DPs suggestions or they did nothing.

This suggests that the Bank is demanding that the GoV change its policies and approaches at a faster rate than in the past. A further example of the impact of DP's comments on GoV policies and its responses, can be seen in this interview by Anh Huyen of Voice of Vietnam (VOV) with Director General Do Nhat Hoang, Foreign Investment Agency, Ministry of Planning and Investment about CG meeting in 2012.

Reporter Anh Huyen: at CG meeting, the donors requested Vietnam foster the process of economic restructuring, with a special focus on SOE and banks. In addition, donors also worried about the faults / mismanagement in the big state-owned corporations such as Vinashin and Vinalines.³¹ As for you, how does the GoV response on these issues?

Mr Do Nhat Hoang: recently, the government, ministries, branches, and localities have implemented a review to restructure the economy, especially in the SOE and banking areas. It is necessary work and timely. In that process we have reviewed and detected certain irregularities at Vinashin and Vinalines. This review showed a very strong commitment, both in words and actions of the Government as well as the different levels of the Government apparatus. Through the realities of practice, after the faults in Vinalines, the Government has directed restructuring and mass deployment to adjust and recover... Thus, the review was effective initially. Doing this, in our point of view, created a positive impact on foreign investment. For example, after this review, the projects that Vinashin cannot afford to finance will be available for other economic sectors such as the private sector or foreign invested sector. Foreign investors have the financial ability, they see such projects, and where, before they were inaccessible, now have access to, which can be deployed (VOV 2012).

This shows a notable example of the GoV under pressure to address SOE corruption issues discussed by the CG. This response was actually caused by a range of reasons

³¹ Vietnam Shipbuilding Industry Corporation (Vinashin) is a state-owned shipbuilding firm in Vietnam. It is one of Vietnam's leading industrial concerns and the largest shipbuilder in Vietnam, accounting for approximately 80% of shipbuilding capacity. Vinashin constructs both merchant ships and military ships. A number of ships in the Vietnam People's Navy were built by them (Vietnamshipbuildingnews 2013). Vietnam National Shipping Lines (Vinalines) was established under Decision No. 250/TTg dated 29/4/1995 of the Prime Minister that reorganised shipping, ports, ship repair, marine services, logistics companies under control of the Vietnam Maritime Administration and the Ministry of Transport (Vinalines 2013).

(such as companies being losing propositions, corruption, and loose management, in SOEs and Vinashin, Vinalines in particular), but when faced with the claim and press of donors, the GoV took a bigger picture response to restructuring, opening new sectors to private actors.

For the World Bank, leading donor coordination through the CG meetings gives it a strong influence. The Bank's influence on donors and the Bank's position in the CG meetings, 'gives it influence broadly over the geographical spread and sectors of a donor's ODA' (Engel 2010: 93). If GoV wants to increase the ODA from donors, they cannot ignore the Bank's role.

How does the GoV respond to the Bank's position? Engel (2010: 93) argued that 'the response from the GoV and others to the role of the Bank was generally positive as it was seen as having a "very open attitude in Vietnam"'. An interview I conducted with Dr Ngo Huy Duc, Director of the Institute of Political Science, Ho Chi Minh National Political Academy, Dr Duc argued that the Bank leads donor coordination, while in other countries, the IMF leads. He said that up to now, the Bank had helped Vietnam greatly and given Vietnam many priorities, and that some of Vietnam's policies were definitely inappropriate, unstable and sometimes harmful for the country, and that the Bank had helped Vietnam to deal with these problems. Dr Duc also noted that any donation programs were accompanied by conditions and requirements, but these requirements help consolidate institutional regime change such as increasing transparency, enhancing accountability and so on. Thus, we see that a very positive perception of the Bank's role in the highest levels of Vietnamese academia regarding Vietnam's development trajectory, which may see it increase its influence over time.

Advisement / consultation activities

Besides chairing CG Meetings, the Bank carries out independent consultative programs - directly participating as corresponding member in the GoV's Socio-Economic Development Strategy (SEDS) and five year Socio-Economic Development Plan (SEDP). Further, the Bank publishes an annual Vietnam Development Report (VDR) (see table 5.2 for the title of each report).

Table 5.3 Vietnam Development Reports

Year	Title
2000	Attacking Poverty
2001	Vietnam 2010: Entering the 21st Century
2002	Implementing Reforms for Faster Growth and Poverty Reduction
2003	Vietnam: Delivering on Its Promise
2004	Poverty
2005	Governance
2006	Business
2007	Aiming High
2008	Social Protection
2009	Capital Matters
2010	Modern Institutions
2011	Natural Resources Management
2012	Market economy for a middle-income Vietnam
2014	Skilling up Vietnam: preparing the work force for a modern market economy
2016	Transforming Vietnamese Agriculture: Gaining More from Less

Source: World Bank

The Vietnam Development Reports were often designed around the themes of the GoV's SEDS, SEDP and the Bank's CAS, CPS again showing the closeness of the relationship between the two organisations. Some reports discussed whole theme of the Bank's CAS/CPS, while other reports focused only particular pillars. There was a strict process for publishing the reports, as the Bank explained:

The VDRs formed part of agenda at the end-of-year CGs. While the World Bank took the lead, other donors contributed substantially to the writing and review of the reports (from 2004). And a Vietnamese Reviewing Committee ensured that the ideas in the reports were widely discussed with government officials, researchers and development practitioners (from 2005) (World Bank 2012: 27).

The Bank affirmed that 'VDRs provided a vehicle for developing a common understanding of the policy agenda with GoV and donor community' (World Bank 2012: 27). Again we see the Bank attempting to shape Vietnam's developmental mindset in neoliberal directions.

Exploring further the Bank's programs in the field of knowledge assistance, including development reports, a useful interview was carried out with Dr Dinh Tuan Viet, Senior Economist, World Bank Vietnam. Dr Viet provided general information about the knowledge assistance activities of the Bank. He also asserted:

The knowledge assistance activities of the Bank are the policy consultation activities... This is a wide area including a range of programs and specific activities. For me, I track and monitor the macroeconomic area, specifically, through evaluation of the annual economic reports of Vietnam, we add recommendations as well as evaluating policies which have been done to see the degree of its relevancies, how that impacts on the development of Vietnam.

At the times I came to work for the Bank, the nineties period, Vietnam was focusing on reforms in three key areas; SOEs, banks, and trade. For example, in reforming SOEs, the World Bank made very specific recommendations to the relevant authorities. The Bank contributed dynamically in advising the government in the transition from a single-ownership economy to a multi-ownership economy. Or another example, in the early 2000s, the World Bank helped the GoV to calculate the benefits, opportunities and challenges of Vietnam's further integration into the global economy, in the process of negotiations for the Vietnam-US bilateral trade agreement in particular. We invited experts from the countries that have succeeded in negotiating such agreements so that they share the experience with us.

Of course, these consultative/assistant progresses are irreplaceable. The features such as state ownership and the state as a driving force are the key characteristics of Vietnam. The policy-making processes in Vietnam are not by one or two people /bodies, from small to big policies, it needs a consensus from various bodies - from government's bodies, parliament's bodies to the Party's bodies. It is very difficult to say clearly that there is an expert group, which can influence the policy-making process of Vietnam. This is not understood as a negative, it is based on the fact that policy-making processes in Vietnam operate on different levels, places, and have to gain a strong consensus. Many foreigners, who misunderstand, will claim that the process is time-consuming

and costly, but this is the process for building consensus, despite the fact that it may slow down the policy process.

Thus Dr Viet perceived that the World Bank's influence of Vietnam was not as important as the country's own policy-making processes. Still he emphasised the value and contribution of the annual Vietnam Development Reports for GoV. He explained that:

The annual Vietnam Development Reports are our work. It has a part for policy recommendations. Besides, we also have sector reports. Furthermore, in order to support CG Meetings, we also provide short reports for donors. Our competitive advantage is that the World Bank is present in a wide range of countries in the world, and owns the qualified and experienced experts and uses huge database resources. Specially, our research has a strong advantage, because supporting this research are huge projects, research is based on results of these projects. Notably, our research does not tend to change the policy of GoV, we only provide additional information, experiences. Properly, the GoV used and believed in these. Looking at what the GoV say and does, it can be seen how the GoV rely on and respect the World Bank, the bad debt settlement for example.

Here again Dr Viet plays down the influence of the Bank at the same time as he expresses a very high degree of confidence in the World Bank's research.

What then are the perceptions of GoV staff? An in-depth interview with Associate Professor Dr Nguyen Viet Thong, a Secretary General of the Central Theoretical Council, Vietnamese Communist Party, highlighted some of these. Dr Thong affirmed that:

The Bank's staff are very professional on the matter of policy advice and policy advocacy. Our government is willing to use their advice. We select what is the essence of humankind. We admit our weakness and we are willing to learn, but they cannot force us. We are willing to learn and absorb, because our guideline is independent autonomy.

Regarding the World Bank's research, Dr Thong explained that

The World Bank puts many pressures on us. They have their own research agencies. They make surveillance and conclusion. When Vietnam government reports with higher statistics than they do, they blame us to tell lies, resulting in a pressure for the government.

This is a telling comment about how the Bank aims to change the developmental mindset in Vietnam and the importance of data in that.

The various consultative activities of the World Bank in the policy process of GoV shows both direct participation of the Bank in GoV's Socio-Economic Development Strategies and programs and indirect participation through VDRs. These activities, while they may be positive in a number of respects, also reflect the Bank's intervention in the developmental mindset. ' Thus, we can see that these activities of the Bank, create at the very least the perception if not the reality of pressure on the policy-making, legal framework and strategic directions of Vietnam, that is to say on state's development trajectories.

5.3. Conclusion

The World Bank achieved its successes in influencing GoV policy thanks to its multifaceted way of influencing thinking, processes and practices in Vietnam. The activities of the Bank in Vietnam cover a wide range with many different fields, but three key fields are institutional and governance reform, leading donor coordination and advisory activities (World Bank 2012: 14). It is notable that the Bank's approach in Vietnam quickly turned away from simply applying structural adjustment lending measures with given policy conditions, as it perceived that 'the attempt to force reforms will never succeed' (World Bank 2012: 17). In other words, they saw clearly that they needed to change the GoV's development mindset to bring it in line with their own and to promote this at both a national and grassroots levels, in order to achieve success. The Bank concluded that 'this is a lesson from Vietnam that assistance could positively promote its role on policy encouragement instead of policy imposition' (World Bank 2012: 39).

Policy development in Vietnam has had significant contributions from the Bank. However, consideration should be given to the fit between the Bank's expectations such quick privatisation, absolute market economy, strong democratic governance, etc. and the peculiarities of Vietnam such as the aim to keep a key role for the SOE sector, autonomic decision making, and a stable political system. At one level, the GoV has enhanced their capacities and development trajectories thanks to the pressures from the Bank, yet at another level the Bank has been a key figure in the growth of the a more

neoliberal developmental approach in the country. Thus, they are a key factor in the current clash between neoliberal and developmental state mindsets in Vietnam.

From the literature on international organisations in combination with the case study of the UN, the WTO, and the World Bank in Vietnam the conclusion can be reached that there is a strong perception that the policy and economic development of Vietnam has seen significant contributions from the IOs. However, we have also seen that this is in tension with Vietnam's tradition of slow, consensus-based policy-making. Such tension fits with the literature on IOs and states, suggesting that IOs influence 'can be used to resolve competing demands within and between states and other global actors' (Anderson 1996: 12). IOs have deliberately set out to influence Vietnam's developmental mindset in market-based and neoliberal directions and they have had some success in this. They have done this through lending programs; supporting policy and institutional reform; policy analysis and advisor activities. As Stiglitz (2002) and Bello (1999; 2004) argued, the directions of the influence of these IOs are now often negative for developing countries in terms of their rules, priorities, and mechanisms. Vietnam has not as yet accepted fully neoliberal prescriptions and thus the influence of IOs has not been as significant as compared to some other developing countries. As Victoria Kwakwa, World Bank Country Director for Vietnam, stated 'Vietnam has sought ideas, knowledge and even advice from development partners and then found ways to contextualise and adapt it to fit Vietnam's own context. This means development partner ideas have not been taken on "hook line and sinker"' (Kwakwa 2013). Yet, IOs have had an undoubted influence, and they are certainly a key factor in the current fracture in the country between neoliberal and developmental state ideas.

Developmental state literature in general highlights a key role for government financial management and their management of the finance sector. Thurbon (2016) highlights in her study of the developmental mindset in South Korea, the role of financial sector reform is vital. The case study demonstrates the World Bank's strong focus on government financial management and on finance sector reform. The interviews with Vietnamese officials showed the generally positive views of IOs in the country, despite some reservations. Reforms may not have gone as far as the Bank would like but they have created some shifts and debates about future practices, shifting the developmental mindset.

Chapter Six

International Non-Governmental Organisation in Vietnam and Their Influence on the Party-State's Developmental Mindset and Policies

6.1. Introduction

NGOs are generally understood as independent organisations that are neither an official part of government nor an organisation for-profit purpose. There are varied types of NGOs, hence, they play different roles and take very different functions within and across nations. The two main forms of NGO activities are 'the delivery of basic services to people in need, and organising policy advocacy and public campaigns for change' (Lewis and Kanji 2009: 1). Many NGO activities relate to the conventional state though they can operate somewhat independently to it. Relations between NGOs and the state are often considered as complicated, tense and involving multiple interactions. There are two main views of these relations. The first views see NGOs as replacing institutions operating in response to the failure of the state and supporting what government agencies are unable to deliver. Thus for some, they represent 'the most serious challenge to the imperatives of statehood in the realms of territorial integrity, security, autonomy, and revenue' (Fernando and Heston 1997: 8; see also Lewis and Kanji 2009; Sending and Neumann 2006). This analysis of NGOs is often seen as particularly pertinent in developing countries, especially where international and/or domestic NGOs have become substitutes for states. The second view is that, by having a range of professional staff, producing extensive, well-researched policy papers, and strengthening their networks into the community, NGOs bring participation to 'the advantage of states' and contribute to improving the state's abilities (Raustiala 1997: 720; Duffy 2006). This debate then somewhat parallels the broader debate about the impact of globalisation on the state.

There has been limited analysis of the role of NGOs in developmental states because developmental state theorising pre-dated the explosion of NGOs of the 1980s, and research also focused on relatively authoritarian states that limited the space for civil society organisations of various kinds. However, for today's developmental states, even those regarded as authoritarian, limiting engagement with NGOs is difficult. INGOs, in particular, are significant players in the debate about, and support for, social development.

Thus, this chapter explores how INGOs have influenced thinking about development, in particular its social dimensions, in Vietnam.

This is an important case study because INGOs have grown from just a handful of organisations operating in early 1970s to 1,000 by 2014, with headquarters operating in most provinces and cities of Vietnam (Don 2015). INGOs in Vietnam initially mainly focused their activities on humanitarian assistance and relief, poverty reduction and sustainable development, but nowadays, many INGOs have begun to operate in new areas such as human rights, grassroots democracy, governance, civil society development and policy advocacy. INGOs in Vietnam have a special characteristic in that they tend to build a strong relationship with state and local government and consider such relationships as key points and lessons for their successful projects and programs, whereas generally INGOs seek to separate themselves from the state. Through analysing the historical context, and through case studies of two major INGOs, CARE International and World Vision International in Vietnam, these above matters are explored in this chapter.

This chapter commences with a literature review about NGOs and their relations with nation states and developmental ideas. Following this is an overview of INGOs in Vietnam. Next, a general picture of INGOs in Vietnam and their main characteristics is provided. The case studies of CARE and World Vision show different perspectives on Vietnamese developmental state mindset and policies under the impacts of these organisations.

6.2. Literature Review

The term NGO is best known from the expression in the United Nations Charter in 1945. Before that time the term NGO hardly existed. Instead several different term were used, such as ‘international associations’ and ‘specialised agencies’ (Willettts 2011: 6-7). These private, non-profit organisations were independent of government. Therefore, the UN listed these organisations as nongovernmental organisations to distinguish them from governments. NGOs were described by the UN as:

Any non-profit, voluntary citizens’ group which is organised on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian

functions, bring citizens' concerns to Governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organised around specific issues, such as human rights, the environment or health (United Nations 1998: Cited in Yaziji and Doh 2009: 2004).

Despite this comprehensive definition, there is also some debate in academic literature about what an NGO is. The simple definitions by Lewis and Kanji (2009: 2) and Yaziji and Doh (2009: 4) expressed that NGOs are independent organisations that are neither 'run by government' nor 'driven by the profit motive'. In generalising about the main characteristics of NGOs, it is also common to note that they are voluntarily and established under state legal frameworks (Dang 2009: 16-17) . Other authors have provided different definitions, but Peter Willetts, who studied NGOs for 30 years is an authoritative source (Willetts 2011: xviii). Willetts listed definitions of NGO from the UN Food and Agriculture Organisation (FAO), the World Bank, the United Nations Development Programme (UNDP) and the Organisation for Economic Co-operation and Development (OECD) and analysed historical understandings of NGO, and from this created a broad definition that 'NGOs are any organised groups of people that are not direct agents of individual governments, not pursuing criminal activities, not engaged in violent activities, and not primarily established for profit-making purposes' (Willetts 2011: 31). Overall, most scholars emphasise that NGOs must have two main characteristics, namely they are non-governmental and non-profit.

Nevertheless, there are also different ways of classifying NGOs. For example, categorisation could be based on the working areas of NGOs. Farrington et al. (1993: 6) divided NGOs into three main types:

first, the notion that NGOs represent a force towards democratic and pluralist civil society, second, a view that NGOs have particular strengths in poverty alleviation and sustainable development, and third, that they offer the prospect of enhancing the efficiency of public sector service delivery.

In another approach, based on the scope of NGO activities, Collingwood (2006: 441) used term 'transnational NGOs' to distinguish them from the 'domestic public, private and non-governmental sectors within states'. Domestic NGOs are not the focus in the

thesis.³² This thesis refers to transnational NGOs as INGOs, an abbreviation of International Non-Government Organisations. In recent years this term has become more widely accepted and still draws on Collingwood's distinction between the domestic and transnational.

Regarding the role and function of INGOs, there are many 'different types, characteristics and purposes of NGOs' (Yaziji and Doh 2009: 4), hence, NGOs play 'different roles' and take very different functions 'within and across different country contexts' (Lewis and Kanji 2009: 2). However, these functions can be narrowed into two main forms of activity: 'the delivery of basic services to people in need, and organising policy advocacy and public campaigns for change' (Lewis and Kanji 2009: 1). These two main functions are discussed in Yaziji and Doh (2009: 8-9) as 'service NGOs' and 'advocacy NGOs'. In terms of service-oriented NGOs, similar to other private organisations or companies, NGOs provide 'goods and services to clients with unmet needs' (Yaziji and Doh 2009: 9). Yaziji and Doh (2009) claim this is because NGOs usually operate in areas 'where politically challenged, indebted or corrupt states are unable or unwilling to provide for societal needs, and where global problems defy the conception of nation-state responsibilities' (Yaziji and Doh 2009: 9). However, that is a problematic claim because NGOs provides such services across a range of states with different levels of social engagement. Overall, the role of NGOs in the social sector is very relevant to this thesis as they can play a major role in social developmental states such as Vietnam

In term of advocacy activities, NGOs usually:

engage in lobbying, serve as representatives and advisory experts to decision-makers, conduct research, hold conferences... monitor and expose actions (and inactions) of others, disseminate information to key constituencies, set/define agendas, develop and promote codes of conduct and organise boycotts or investor actions (Yaziji and Doh 2009: 8).

These advocacy activities create pressure on governments and contribute to policy changes. This chapter seeks to explore such changes in the specific circumstance of

³² Indeed, in the context of the one party state structure in Vietnam, the number of domestic NGOs is limited and they are often known as social-based or community-based organisations.

Vietnam. It is also notable that NGOs have played a wide range of roles such as ‘emergency response, democracy building, conflict resolution, human rights work, cultural preservation, environmental activism, policy analysis, research, and information provision’ (Lewis and Kanji 2009: 1). Thus, it can be seen that the more roles that NGOs play, the more responsibility they share with the state in social management. This will be investigated for Vietnam.

NGOs and the Nation-State

Relations between NGOs and the state involve complicated and multiple interactions. Lewis and Kanji considers these relations ‘are often tense and unstable’ (Lewis and Kanji 2009: 27). While, different scholars have different conclusions about the influence of NGOs on states, the two main approaches to understanding the impact of NGOs on the nation-state are ‘an orthodox state-centric power-based approach’ and an ‘issue-based approach’ (Willetts 2011: 144).

In the state-centric power-based approach, the state is treated as the central authority in social management. This is often based on recognition of the state’s ‘military forces and economic capabilities’ (Willetts 2011: 128). States impose rules and penetrate society across their territory. Any social forces or organisations that tend to share, or to transfer state power are considered as challenges or threats to state authority, thus NGOs are not an exclusive situation. Thus, when considering successful NGO work, government agencies are generally unable to deliver a strong assessment because ‘in many contexts, NGOs implicitly or explicitly challenge the state’ (Lewis and Kanji 2009: 27).

Alternatively, when considering the growth of NGOs and their success in specific works, NGOs have ‘been seen by some to be a response to the failure of the state and the market economy’ and they are ‘considered to be more reliable and authentic representatives of the people than governments are’ (Fernando and Heston 1997: 14, 18). In so doing, some scholars conclude that ‘NGO activity presents the most serious challenge to the imperatives of statehood in the realms of territorial integrity, security, autonomy, and revenue’ (Fernando and Heston 1997: 8). Other similar arguments are found in some theories of global governance, when scholars claim that ‘the state has lost power to nonstate actors’ and that ‘nonstate actors have emerged as powerful actors in

world politics, thus challenging the power and authority of sovereign states' (Sending and Neumann 2006: 651, 654). These arguments have a common assessment about the impact of NGOs on nation-state that is, as negative impacts or as creating challenges to state authority. This would also suggest that NGOs have a negative impact on the developmental capacity of states.

Unlike the state-centric approach, proponents of the issue-based approach do not agree with the premise that the relationship between states and NGOs is demonstrated as 'inherently oppositional' and 'even zero-sum in nature/ zero-sum conception of power' and that hence that an 'increase in the power and influence of non-state actors' is defined as a 'reduction in/ expense of state power and authority' (Raustiala 1997: 724; Sending and Neumann 2006: 652). Specifically, focusing on international environmental NGOs, Raustiala (1997: 720) concluded that 'NGO inclusion does not come at the expense of state centrality; rather it is to the advantage of states.' The author showed that NGO participation contributes to enhancing 'the abilities of states to regulate globally', specifically enhancing state capacity in solving global environmental problems (Raustiala 1997: 719).

According to Raustiala, the cooperation between states and NGOs benefits states because the participation of NGOs brings varied advantages to states from providing 'policy advice', helping 'monitor commitments and delegations', minimizing 'ratification risk', and facilitating 'signalling between governments and constituents' (Raustiala 1997: 720). For instance, the state may lack information on or have little experience in solving global environmental issues and that may become a major barrier to their policy development. By contrast, NGOs may have a range of 'professional staff and produce extensive, well-researched policy papers', that they can freely provide to 'government policy makers' (Raustiala 1997: 727). The result is that the state gains efficacious sources with no cost. Thus Raustiala concludes that in utilising NGOs expertise, 'states can maximise policy information and research while minimising expenditures' (Raustiala 1997: 727).

Through a case study of Madagascar, Duffy (2006) showed that 'NGOs have been involved in directly running national parks, arranging debt for nature swaps and lobbying the national government for particular environmental policy directions', and that, in so doing, they contributed effectively to 'external forms of governance' (Duffy

2006: 746). Thus, these arguments find that taking on governmental roles can have a positive impact on state capacity. These positive impacts on state governance and on welfare have been found in varied areas of states' policy processes and governance.

Overall, the literature suggests that NGOs can have some negative impacts on governance, in particular in cases where they take over or replace the state. However, in the cases where they work alongside a functioning state, either working with it or challenging it, a range of studies have demonstrated how NGOs can complement or even improve state capacity. This chapter investigates the impact of international NGOs on the ideas and practice of social development in Vietnam.

6.3. International NGOs in Vietnam: An Overview

INGOs have been working in Vietnam for many decades. This section traces their evolution from the early 1970s when the INGOs that came to work in Vietnam were related to religious (Christian) affiliations, humanitarian support, and relief and support for people suffering from the war, including shipping goods such as medicine and equipment. A range of Western INGOs kept in contact with the South Vietnamese government, while the North received support from varied Friendship Associations of socialist countries. When the Vietnam War ended in 1975 with the collapse of Southern government, most INGOs operating in South Vietnam closed their offices and withdrew their staff as the Socialist Republic of Vietnam took control.

From 1975 to 1985, Vietnam applied the centrally planned economic model from the USSR nationwide and established close relationships with socialist countries. In addition, the US-led embargo against Vietnam prevented INGOs from undertaking assistance in the country. Therefore, this period was marked by a decreased number of INGOs operating in Vietnam. The opportunities for INGOs at that time to give support were limited, however, the support given was well-remembered and meaningful - a Vietnamese saying is that 'we remember best the mouthful of rice given when we were hungry' (Nguyen 2001: 13).

1986 was a nodal point as this was when Vietnam implemented *Doi Moi* (renovation/open-door policy) and there was a decline in support from the socialist countries around this time. This renovation created 'new possibilities for INGOs wishing

to support Vietnam and renewed efforts to have representatives in the country' (Nguyen 2001: 13). The withdrawal of Vietnamese troops from Cambodia in 1989 in particular broke 'the fence' and paved the way for donors to work in Vietnam, Western donors in particular. As a result, the number of INGOs increased quickly in Vietnam and the government established a special agency in 1989:

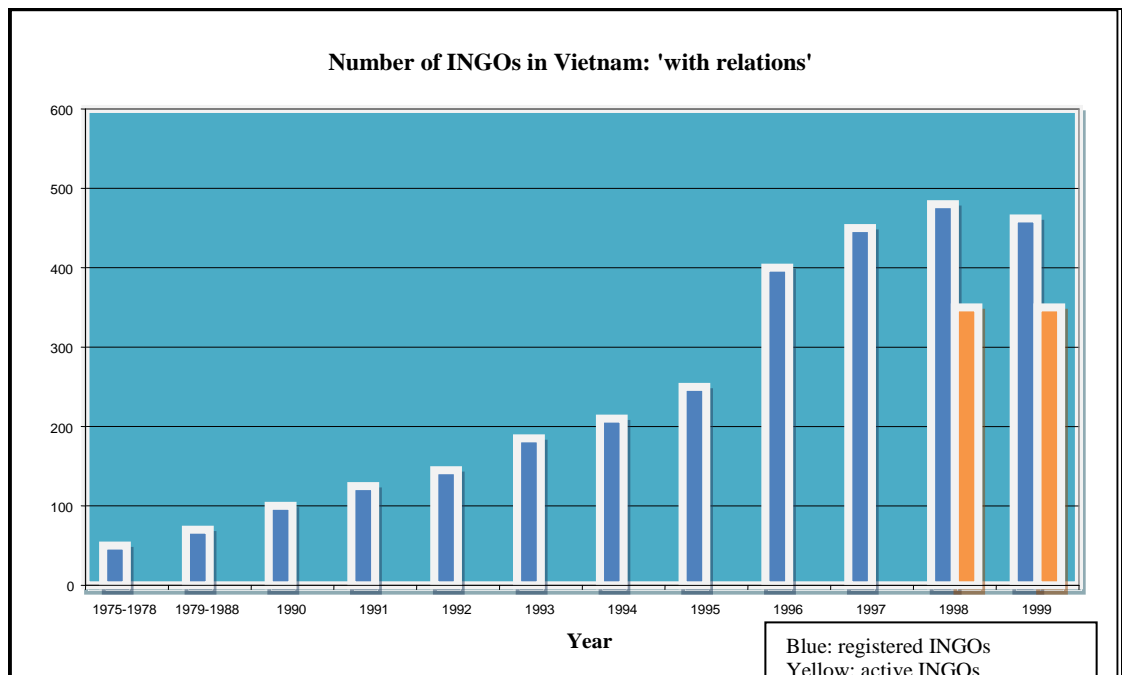
The People's Aid Co-ordinating Committee (PACCOM) of the Vietnam Union of Friendship Organisations (VUFO) was established to "work as a focal agency for international non-governmental organisations". PACCOM's main functions are to: work as a bridge between INGOs and Vietnamese partners and localities; facilitate INGO activities and assist local partners in their relations with INGOs; gather and share information concerning INGO activities in Vietnam; and recommend to the Government proper policies for INGOs in Vietnam. PACCOM is also responsible for processing permits for INGOs, who are requested to register with the Committee for Foreign NGO Affairs through PACCOM (Nguyen 2001: 13).

Of course, PACCOM does have some monitoring role too – Vietnam Union of Friendship Organisations (VUFO) is linked to the Communist Party of Vietnam (CPV) and there are concerns about the need to ensure that INGOs respect the CPV ideology and framework. Nevertheless, by the 1990s INGOs were blossoming in Vietnam. In 1991, the government issued 'regulations in its relations with foreign organisations in Vietnam' (Don Tuan Phong, interview). This legal framework was considered as the foundation for INGOs operating in Vietnam. From 1991 to 1996, PACCOM and other authorities advised the government and recommended to issue 'regulations on the activities of foreign organisations in Vietnam' in 1996. Thereafter, a wave of INGOs flooded into Vietnam, 'from 200 organisations before 1996, they then increased to 400 organisation, and now [2013] we have reached over 900 INGOs' (Don Tuan Phong, interview). Other reports of Vietnamese government agencies and researchers such Nguyen (2001) and Payne (2004) also affirm that this period saw a dramatic increase of INGOs in Vietnam. Graph 6.1 and the numbers below show the steady increase. In terms of their origins:

Roughly 35% of the organizations listed in the NGO Directory come from North America (United States and Canada), 35% from Europe, approximately 8% from Asia (Hong Kong, Japan, Korea, Singapore, Taiwan and Thailand), and 7% from Australia and New Zealand (Nguyen 2001: 13-14).

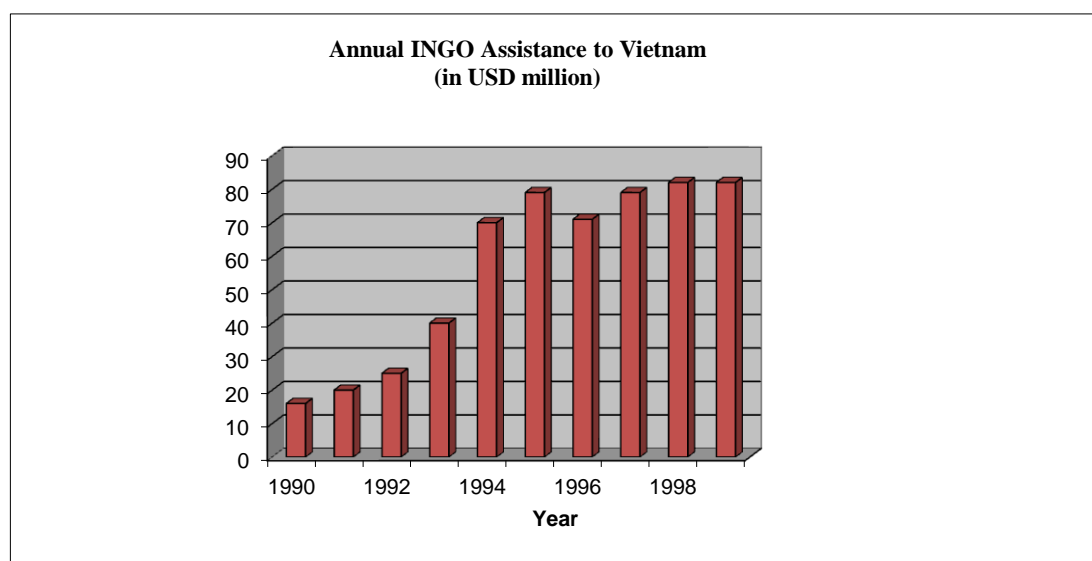
When investigating the development of civil society in Vietnam more broadly, Thayer emphasised that: ‘By the early 1990s it quickly became evident that there was an explosion of organizational activity at all levels in Vietnam’ (Thayer 2009: 4). Thus, the growth of INGOs reflected and was associated with broader societal changes.

Graph 6.1 Number of INGOs in Vietnam



Source: PACCOM, 2000

Graph 6.2 Annual INGO Assistance to Vietnam



Source: PACCOM, 1999

Writing a report on ten years of partnership between Vietnam and INGOs (1994-2004), Payne (2004: 1) showed that ‘by 2002, the number of INGOs having relations with Vietnam had reached more than 500, with an annual disbursement of \$85 million dollars’. According to this report, the central focus of INGOs works in the late 1980s and early 1990s had been ‘humanitarian assistance and relief’. However, after that, its target changed to focus on ‘poverty eradication, sustainable development and capacity building’ over the past ten years. In addition, many INGOs have expanded their focus to emerging issue such as ‘environment, gender, and advocacy’ (Payne 2004: 4).

In the period from 2005 to 2010, the number of INGOs in Vietnam continued to increase rapidly. According to PACCOM’s report (2010), ‘there were about 900 INGOs and project headquarters operating in various areas to almost all provinces and cities of Vietnam’. Regarding the fields of INGO work, a report undertaken by the Institute for Studies of Society, Economics and Environment (ISEE) (2010) reviewed the previous five-year partnership between Vietnam and INGOs and noted that many INGOs began operating in new areas such as human rights, grassroots democracy, governance and civil society development. In many INGOs’ views, the demand for poverty reduction was not as urgent as before and the GoV had more resources to invest in disadvantaged areas through the achievement of accelerated economic growth for over two decades. These changes demonstrate a clear developmental mindset of INGOs in the social, political and economic context of contemporary of Vietnam.

In addition to the issues of human rights, the ISEE Report also noted that the development of civil society and the responsibilities of the state were becoming more important for the sustainable and overall development of Vietnam (ISEE 2010: 7). However, according to this report, discussions with local authorities showed different views regarding this trend. Many officials insisted that although Vietnam had moved to the low middle-income grouping, the need for infrastructure development and poverty reduction were still essential, especially in remote areas with ethnic minority people. Therefore, they thought that INGOs should not shift their resources into new fields of activity. Some local partners (local leaders) also said they were afraid of INGOs working on grassroots democracy, governance and human rights as these were considered sensitive issues that were the responsibilities of the state government rather than of foreign organisations. However, there were also some local officials who agreed

with INGOs expanding their operations into the capacity building, grassroots democracy, and sustainable development models. According to them, the involvement of people contributed to increased responsibility for local authorities (ISEE 2010: 7). This was seen not only to ensure quality projects but also to increase the implementation of grassroots democracy and accountability. Further, they felt that the experiences of INGOs in specific fields provided good lessons for Vietnam in applying their programs and projects. Here it is important to note how the different perceptions of the impact of INGOs in Vietnam strongly reflect the broader debate about NGOs and the state outlined in the literature review. In other words they are seen both as a complement and as a threat when their activities extend into particular areas.

By 2013, Vietnam had relationships with nearly 1,000 INGOs coming from over 30 countries and territories, Mr Don Tuan Phong confirmed.³³ In the past 15 years, INGOs had disbursed over US \$3 billion for tens of thousands of programs/projects for poverty reduction, community health care, recovering from the effects of war and building capacity for organisations (Don 2015). Nowadays, INGOs are moving from purely humanitarian aid to development aid. They focus increasingly on ‘soft’ activities rather than just infrastructural construction and equipment provision as in earlier times. Therefore, in addition to the traditional sectors, INGOs focus more on the environment, climate change, capacity building and policy advocacy.

Evaluating the effectiveness of INGOs, Mr Phong explained that INGOs have contributed to social development, such as reducing poverty and improving the living standard of people in the areas where their projects are based. Along with social development, where INGOs were involved, hunger elimination and poverty reduction were seen to be faster and more stable than elsewhere. In other words, INGOs are seen to contribute to social development and to the thinking around it. Specifically, INGOs introduced several new models, methods and approaches to development. In addition, they positively impacted on the capacity of cadres and people. Through INGO projects, thousands of grassroots officials and hundreds of thousands of people were trained to enhance their capacities. Thus, this assessment shows a relatively positive perspective on the impact of INGOs on the Vietnamese developmental state thinking and capacity.

³³ Mr Don Tuan Phong- VUFO Vice Chairman and General Secretary gave a speech at the 65th anniversary of VUFO hosted in November 2015.

This view implies that they have increased the capacities of state as the capacity of both officials and civil society has been improved.

Returning to the issue of the special characteristic of INGOs in Vietnam – their relationship to Vietnamese government - INGOs in Vietnam have tended to build a strong relationship with state and local governments, and consider such relationships as a key point and lesson for their successful projects and programs. As Odile Ruijs wrote in a Resource Centre Briefing Paper in 1996:

INGOs have almost exclusively worked through the government, or through mass organizations [in Vietnam]. This is different from INGOs' work in many other developing countries, where INGOs normally work outside government structures. What may be seen by some as a weakness of INGOs' activities in Vietnam – a lack of independence, a layer between the INGOs and the beneficiaries – has in fact turned out to be a major strength... [INGOs] have an almost ready-made channel for discussion results with the government. This is of great significance, as the government of Vietnam, contrary to those in some other developing countries, is sincerely interested in improving the position of the poorest, and in replicating successful projects (Cited in Payne 2004: 3).

This close relationship between INGOs and the state is likely to increase INGOs' capacity to influence the state's thinking about social development. This was visible in the discussion above of the views of Vietnamese actors, although the concerns emerged when INGOs were involved in more sensitive areas, this may impact their capacity to influence development thinking in Vietnam.

6.4. Case studies of INGOs in Vietnam

6.4.1. CARE International

CARE International in Vietnam (CARE Vietnam) is one of the biggest INGOs in the world, and has had a long historical relationship with the Vietnamese government. CARE worked in the south of Vietnam from 1954 in the context of Vietnam War when they established a relationship with the southern Vietnamese government under support of the US government (Dang 2009: 47). After 1975, at the end of the war, CARE withdrew from Vietnam until they returned in 1989. They signed an agreement to

register their work with the GoV in 1990. CARE concentrates their work on three main areas: agriculture and rural development (poverty reduction), medical and community health and emergencies (preventing and mitigating floods and storm damage). Currently, CARE Vietnam is also working on new areas such as climate change and policy advocacy, but their central focus is still on poverty reduction.

An interview with Mr Nguyen Van Anh, Program Director for Agriculture and Rural Development, CARE Vietnam, provided significant information related to the field of poverty reduction in agricultural and rural areas. Although running its projects in 53 provinces, CARE has focussed mainly in the mountainous north and the Mekong Delta because the number of poor people is highest in these areas. In CARE's vision, their short-term goal is poverty reduction, but for the long-term it is social justice. CARE expects people, especially poor people and vulnerable groups, to be more involved in decision-making processes over time. CARE saw that poor and vulnerable groups have not been involved in policy process because their voices were not strong and were not listened to.

All the activities of CARE focus on how to improve the capacity of the people to enable them to participate in decision-making processes and to ensure that their voices are recognised. Mr Anh explained: poverty reduction is not the ultimate goal of CARE. Vietnam currently has 15 million poor people, of which 13 million are from ethnic minorities. One of CARE's biggest projects cost around USD \$1 million, but the total number of supported is only about 2,000 people of which 1,000 are out of poverty but only about 800 people out of poverty sustainably. Thus, CARE's projects for poverty reduction are too small for 15 million people. The more important thing here, from the point of view of CARE, is the need for enhanced capacity building for poor people to help them stand on their own two feet to come out of poverty sustainably and helping them to access the benefits from the 135 and 30A programs of the government.³⁴ These state-based programs are 25-30 times larger than CARE's project count for each district.

³⁴ Programme 135 (P135) was established in 1998 to implement government policies targeting the most vulnerable communes. Its rationale was to help people from ethnic minorities and in mountainous areas overcome poverty, narrow the income gap with other communes in other districts and provinces and eliminate risks for social instability. The National Poverty Reduction Programme 30A has been implemented since 2008. It was based on the Government's Resolution No. 30a/2008/NQ-CP for a quick and stable poverty reduction program in 61 poor provinces throughout the country that was issued by the Government on 27 December 2008.

Therefore, before 2001 CARE was interested in helping poor people by delivering items such as plants and animals, but after this time, CARE was more interested in helping the people improve their capacities and guiding them in the effective use of government programs. Now, CARE has a strong interest in building typical models for replication. CARE recognised that government agencies need efficient models for replication. It is clear that CARE want to bring their particular social developmental mindset to Vietnam by applying their philosophy in operating projects and programs.

Assessing the success of CARE's activities, Mr Anh affirmed that CARE's programs and projects were cited as examples of effective projects in Vietnam. Both local authorities and people have been found to appreciate these programs and projects. For instance, models from Que Phong district, Nghe An province were rolled out across the province. The Nghe An People's Council ran the closing ceremony of the CARE's project, 'Improving the Participation and Voice of Ethnic Minorities' in December 2012, and they confirmed that:

The project provided seven models. These models showed a high economic efficiency, opened up sustainable knowledge and skills for ethnic minority people in the alleviation of poverty, helping them get rich. The project also contributed to the affirmation, proof of the autonomous and dynamic characteristics of the minorities in economic development. They did not just rely on and wait for others any more.

The project has made significant contribution to capacity building for the officials and People's Council deputies at all levels. This helped Councils to have good enough capacity to monitor the poverty reduction projects and to better represent the interests of the people in general, ethnic minorities in particular (Thanh Ha 2012).

Further successful projects of CARE can be seen in a specific case of Ba Tuoc commune, in the Hau Loc district in Thanh Hoa province. In Hau Loc district³⁵, CARE conducted a model using a 'visioning method' of 'future painting'. People plan a strategy for 15 years. The district officials participated as part of this project. After attending this project, the district committee made a decision to replicate this model

³⁵ District is one of administration level in Vietnam which followed the bottom-up order as communes, districts, provinces, and central government.

throughout 26 communes of the district. They used the districts' funds for that program and did not use any more money from CARE. Thus, through these cases, to some extent, it can be seen that CARE has been successful in providing models of capacity building for both people and authorities. And by extension, they bring their skills to the advantage of the state and contribute to enhance its abilities.

Mr Anh provided an interesting comparison - that CARE is seen as very strong at the community level, unlike Oxfam, who are seen as strong in policy advocacy at the central level. In running their projects, Oxfam often give money to community-based organisations (Women's Union, Farmers' Union, etc.) or other organisations doing projects. Anh said that Oxfam staffs just have meetings with their partners in Hanoi, developing programs and projects, and then checking and monitoring only. In contrast, CARE comes to each village and sits in the meeting with the village people. CARE's philosophy is that people make their own decisions and they do not specify directions rather offer ideas and discussion. This also stands in contrast with the role of government officials. The latter are technical experts who are interested in a place only for what kind of planting or feeding can be done, but they do not care whether people like their specified plants, animals or not. CARE does what people like and need, rather than just taking a technical approach to making decisions.

Most state officials do receive training in community consultation, although they can only apply a part of this training, because the mechanisms of the state do not allow them to implement some aspects. For example, the 30A or 135 programs have no regulations or funds for village meetings and management costs, so the government officials have not been able to spend money to do these activities. Indeed, they would not be paid for any expenditure associated with such projects. Thus, the fact that CARE workers are active in villages and present a model that may undermine the approach of government management.

Nevertheless, the government has been affected by the methods of INGOs and they do apply such methods at times. Mr Anh provided an example of village development plans. Previously, the Government did not do this or even say anything about the INGOS doing them, they did not even protest when INGOs were doing them. After recognising the success of INGOs through this technique, the Government began to use it as their right. However, the government often only changes when their staffs are

involved in the INGO project. Through such involvement, they see the need to change and they make a decision to change by themselves. Mr Anh affirmed that, CARE has never sent a letter or written a request to local governments to persuade them to change to the way of CARE. CARE conducts policy advocacy using ‘soft’ methods, which is how government officials involved in their projects found that letting poor people be involved in the decision-making processes is important. This differs from Oxfam, who they claim for example, would write letters to ask the government to change articles of law. Thus, it is clear that INGOs bring different methods to affect the developmental state mindset and policy. CARE thinks that the better way to change government officials’ developmental mindset and approaches is by involving them in CARE’s projects and demonstrating their effectiveness.

This assessment can be seen better through an investigation of CARE’s projects on ‘climate vulnerability and capacity of ethnic minorities in the northern mountainous region of Vietnam’ (CARE International in Vietnam 2013). This project is ‘a long-term program to support poverty reduction and sustainable development among ethnic minority groups of Vietnam’ (CARE International in Vietnam 2013: 7). The central focus of this program is Civil Action for Socio-economic Inclusion (CASI) in working towards sustainable development for northern ethnic minorities. CASI has the overall goal that ‘marginalised ethnic minorities in northern Vietnam are enabled to determine and realise their own equitable and sustainable development, with dignity’ (CARE International in Vietnam 2013: 7).

A report on CASI III (2013) provided illustration and assessment of the project, such as its funding, the project’s framework, strategies, process and achievements, and the project’s recommendations. Here, I focus on the report’s assessments related to Vietnamese development capacity. In terms of local capacity to address climate change, this report explained:

At the Provincial level, the departments interviewed reported they were still waiting on guidelines on what their role with respect to climate change is in practice. The Department of Natural Resources and Environment (DONRE) report that their staff are aware of climate change but do not have the capacity, in terms of time, resources or guidance, to take action on climate change. The Department of Agriculture and Rural Development at provincial and district

levels heard about climate change quite frequently but they did not have specific understanding about it and its likely impacts. The mainstreaming of climate change into different sector development plans at the different local levels is still a challenge.

Local staff at provincial and district levels reported that they lack skills in facilitating participatory planning and implementation. This lack of local participation in planning may result in inappropriate interventions or ineffective local risk management (CARE International in Vietnam 2013: 17).

CASI III has provided an array of knowledge, skills and support to vulnerable ethnic minority communities in adapting to climate change. The project raised recommendations such as ‘conducting further training for project staff and communities’, ‘advocating to relevant agencies on key infrastructure needs’, ‘facilitating voice of ethnic minority groups in planning and policy-making at all levels’, ‘strengthening existing livelihood strategies and ensure climate resilience’, ‘strengthening disaster risk management structure and capacities, including for adaption planning’. (CARE International in Vietnam 2013: 24-25). These recommendations reflected CARE’s role in helping vulnerable ethnic minority communities respond to climate change. However, in considering the relationship between this project and developmental state capacity, a central point is its activities to enhance ‘knowledge sharing and capacity building’ as follow:

Improving sharing of knowledge and models, effectiveness and good practices with government and other stake-holders through workshops, meetings, dialogues.

Workshops at a local level, for example to communicate the importance of indigenous species in afforestation and agriculture, and to share some models of nurseries and plantations that use indigenous species in afforestation.

Training in gender and sustainable community-based natural resource governance should be provided to the key officials at commune and village level as a first step to addressing gender inequality.

Raise awareness of local people about climate change and potential adaptation responses through appropriate methods and resources.

Explore ways to increase participation of local people in adaptation and DRR planning at relevant levels (CARE International in Vietnam 2013: 24).

Government officials also gained certain advantages from these projects. In particular the project's activities on knowledge sharing and capacity building filled gaps for officials in key areas. In other words, the Vietnamese state enhanced its capacity in managing disaster risk and climate change.

Overall, through the above interviews and project investigation, the following key points can be raised. CARE is perceived to have made a contribution to help poor people overcome poverty sustainably. Using a community-based approach, CARE's programs and projects had a range of successes and were appreciated by both local authorities and people. Their typical models were replicated in various areas by local governments. As befits their usual approach, CARE claims to have created a very good relationship with local government in their project's implementation. Many local government officials participated as part of CARE's projects and were trained in CARE's methodologies. The interviews confirmed the generally positive perception of CARE. Thus, in this case of CARE international in Vietnam there is certainly currently the perception that the INGO contributes to enhanced developmental state capacity in social development, although there may be some emerging concerns about their movement into more controversial areas such as human rights.

6.4.2. World Vision International in Vietnam

World Vision International in Vietnam (hereafter World Vision) started working in the country from 1988, but they registered their license to operate officially with the government in 1996. World Vision works for the well-being of children and their protection. Besides implementing projects and programs for sustainable development and change for children of poor communities, they also work in emergency relief, disaster mitigation and policy advocacy. Any World Vision project must contain three elements – sustainable development, disaster reduction, and policy advocacy. Currently, World Vision is operating in 15 provinces of Vietnam with disbursement average US \$15-17 million per year.

An in-depth interview with Mrs Khong Huong Lan who is in charge of external relations and policy advocacy for World Vision Vietnam, provided significant information related to this organisation's projects and its relations with Vietnamese government authorities. Mrs Lan said that World Vision Vietnam was best known for its special regional development model that is different from other organisations. This model involves a comprehensive and long-term development program, which has at least three to five projects integrated into it. Such programs are often implemented initially in one district and use the district's name as the program name. Each program has a project on areas such as education, agriculture, health, food security, and disaster reduction, and all elements are integrated to make a comprehensive and long-term impact on whole region. In one province, World Vision Vietnam could implement programs in many regions like this.

In discussion with Mrs Lan and from the view of local governments (ISEE 2010), these models are rated as successful. There are three sorts of evidence that World Vision offer to support this claim. First, many former partners and collaborators of the program, have become local leaders and they perform well when they become local leaders. This has been attributed to the success of the program in the provision of training, and also from actual project participation. Capacities for planning for development, economic household development planning, and the like, are said to have been learned from the program. Thus, the key success of program is a development of partner capacity before and after the program. Partners here are local authorities, such as departments and mass organisations. The second sort of evidence attesting to the efficacy of World Vision programs in building skills, capacities and social capital is the awareness of the community about issues of nutrition and health, which are seen to have changed significantly as a result of their work. Thirdly, local governments are said to have replicated many of the models of World Vision but instead of receiving funding from World Vision, they have used their own budget to implement those models in their own programs. Thus, it is clear that World Vision has a strong influence on the Vietnamese developmental state mindset and policy.

A typical example is the 'nutrition club' model. In the mid-2010s there were about 200 nutrition clubs in 14 provinces and cities that had World Vision projects. The National Nutrition Institute studied this model to learn their experiences. Evidence from it was

presented in two major conferences in northern and southern Vietnam to share experiences of provinces that have a high number of malnourished children. They saw the advantages of those models and then applied the models to their hometown. A further example is in Yen Bai province, where World Vision had several projects in some districts. When they organised training courses, cadres in other districts that were not covered by World Vision projects also attended. World Vision provided documents and toolkits, and cadres then went back to their district to establish those models themselves using their own budget. This is evidence of the model developmental strategies that the Vietnamese government taken from INGOs.

There are several reasons that World Vision's programs are perceived as successes. First, they have an appropriate approach, namely making plans through a participatory approach with the direct contribution of local people. World Vision's staffs stay in communities, living together with the people and listening to people. They directly do monitoring, supervision and evaluation of projects. They claim to be not seen as other less-involved donors who simply come to a district, donate money and leave. By being involved in community, World Vision's staffs claim they can listen to the needs of people from the community and provide appropriate services. In so doing, they build practical models that are relevant to the people's demands rather than being a subjective model imposed from the top down. As assessments by the ISEE showed:

Both local authorities and people perceived positively the way of running projects with the participation of the people. A partner of World Vision in Van Yen district, Yen Bai province said 'everything is investigated by the people, if something does not fit, the meeting and discussion will be rearranged to find a consensus. It is important that the chosen criteria must be raised and decided by the people'. This opinion was sympathised by Thanh Hoa provincial leaders and they fully agreed and supported the INGO's programs. Because some INGOs directly work with people, they listen and care about the social security and life of people...

...Perhaps, this is one of the important differences that the local government and people have acknowledged about INGOs... To some extent, it can be said that this approach gained such success, because many national programs as well as local activities began applying that method (ISEE 2010: 10).

In addition, because it is an international organisation, World Vision have quality staff and each field always has an international expert called the National Coordinator for example, in fields like nutrition, health, agriculture, etc.

The second reason that World Vision's programs are perceived as successful are because of the nature of the links between the INGO and governments. World Vision Vietnam has very close relations with the government, from central to local levels. Mrs Lan illustrated that all projects implemented by World Vision have involvement from the authorities. When their program comes to a province, there must be a written agreement with the provincial authorities and they then work directly with provincial coordinating agencies and the district authorities. At the district level, there is a district committee for program management. In this committee, the Vice President of District People's Committee is the chief, while representatives of the relevant departments such as health, education, and agriculture, and representatives of social organisations such as farmers, women, youth, unions, are also members of the management committee. World Vision staffs are also members of this committee. At the commune or village level, there are communal organisations and groups. They have monthly working mechanisms for the planning, monitoring and supervision of projects called reflection meetings. Planning is done from the beginning of the year, but each month or every three months they have to reflect back whether modifications are needed, what has worked well or not well, and so on.

At the central level, World Vision undertakes policy advocacy. They have worked with the Ministry of Labour, Invalids and Social Affairs, Ministry of Justice, Ministry of Public Security and others on matters relating to children's rights. They focus on accelerating the implementation of laws and policies that have been enacted and mobilising local government to implement and enforce those laws strictly. Furthermore, World Vision gathers evidence from local areas so that policy makers do not lack information. They organise fieldwork and then contribute to modifying laws on children's rights. For example, they contacted the Department of Children's Care and Protection in order to propose amendments to laws and policies. In particular, while the law had specified categories for children with special or difficult circumstances, it lacks policies for trafficked children, so World Vision petitioned to include this group. This would see trafficked children, after being rescued, eligible for benefits from state policy.

Thus, policy influence and citizen empowerment are two main activities of World Vision's policy advocacy. Putting in the lens of a developmental state mindset and policy, this organisation contributed to enhancing state capacity in policy-making because the policy-makers, for different reasons, often lack information and real data in the policy-making process. With the advantage of community engagement to supply information and evidence-based recommendations to policy makers, INGOs fill in this gap to an extent. Thus, the state can benefit from these advocacy activities if they provide quality data and input. However, there is a danger of reliance on those organisations and at times, their views may contrast with national or community goals, for example related to Care and World Vision's basis in Christianity. In such cases, their advocacy activities will create pressure for the state to issue policies.

6.5. Some Key Findings

Through the above overview of INGOs in Vietnam and the two case studies, some key findings about INGOs in Vietnam and their influences on Vietnamese developmental state mindset can be drawn out as follows:

First, there have been different approaches to policy and decision-making between INGOs and the Government of Vietnam. The Government implements aid to vulnerable and poor people based on set criteria and divided assistance packages. Government policies are often treated as voluntarist and subjective projects based on top-down policy making. This is because government programs are often carried out by executive order and the range of those programs is generally nation-wide. They generally do not have enough resources to operate a full suite of participatory policies and programs. In contrast, many INGOs emphasise bottom-up decision making. They focus on communities' needs and use a participatory approach with direct contribution from the people in their planning. In parallel with giving money and goods or providing services to vulnerable and poor people, they concentrate on capacity building such as training skills and sharing experiences to help the poor use aid effectively and move out of poverty sustainably. In brief, they are concerned with the sustainable development of communities as well as effectiveness of their projects and programs.

Second, local governments appear to have benefited from many INGOs' projects and programs. INGOs introduced some new models through pilots. Then when they are

successful, those models appear to have been replicated by local governments. They have used their own budgets to implement those models. Through involvement and cooperation with INGOs, 'some models, approaches, skills, methods and technologies in development were really helpful for Vietnam. For example, the micro-credit model, community development with the participation of the people and grassroots democracy' (Don Tuan Phong). This is a notable point, that the Vietnamese developmental state mindset has been influenced by INGOs' developmental strategies but in ways to reinforce the importance of social elements in the model.

Third, local government staff were trained and enhanced their capacities through INGO projects and programs. Through involvement and cooperation with INGOs, staff had their capacity built through training during project activities as well as by learning from the project. For example:

For agricultural, forestry and fishery extension projects, those projects have trained thousands, even tens of thousands of cadres and peasants. Each year, there have been about 2,500 projects, over 20 years there were about 50,000 projects, so a lot of officials and farmers gained enhanced capacities from these projects' (Don Tuan Phong – interviewee).

Indeed, many former partners that were collaborators in programs became local leaders later on. It is claimed that many have performed well when they become local leaders. Thus, it is clear in those specific cases that INGOs made strong contribution to enhance the Vietnamese developmental mindset.

Fourth, in Vietnam it is perceived that INGOs tend to build a strong relationship with the government, from the central to the local levels. In order to take advantage of available channels that could help their projects be implemented effectively, almost all INGO projects involved signed agreements with local authorities and had participation by local government cadres. These activities did not occur in the past when INGOs work focused on humanitarian assistance and relief and their partnership mechanism was more like 'giving party-receiving party' (Nguyen and Nguyen 2014: 53). The strong relationship with the state has been considered as a key point and lesson in the success of INGO projects and programs. This characteristic, in Odile Ruijs's opinion, 'is different from INGOs' work in many other developing countries, where INGOs normally work outside government structures', thereby, 'what may be seen by some as a

weakness of INGOs' activities in Vietnam – a lack of independence, a layer between the INGOs and the beneficiaries – has in fact turned out to be a major strength' (Cited in Payne 2004: 3). The two case studies of CARE and World Vision showed this closed relationship as essential to the perceived effectiveness of INGO project implementation in Vietnam.

Research by Nguyen Thi Que and Nguyen Thi Tu Hoa (2014: 53) demonstrated that 'a tripartite partnership mechanism between local authorities, INGOs and people is considered as the basic partnership that almost all INGOs in Vietnam appreciated'. According to these authors, because INGOs now target sustainable development, 'almost all INGOs recognised that the participations and supports of local government play an important role for the success of their programs/projects' (Nguyen and Nguyen 2014: 53). Local and provincial governments play a key role in providing the orientation in the field, area priorities and relevance to national programs as well as the local social-economic development plan. Therefore, perceiving the close relationship with government, INGOs took advantage of available channels to help their projects be implemented effectively and also improve their capacity for discussions with central government.

Thus, these realities, on the one hand, indicate strong state authority in Vietnam that INGOs cannot ignore. On the other hand, all INGOs working in Vietnam are oriented to sustainable growth and creating changes for vulnerable groups and poor people. They came with a purpose of humanitarian assistance and sustainable development. Different INGOs have different approaches, objects and areas of project operations, but their goals are similar in helping people in disadvantaged areas to develop. Therefore, these purposes help to ensure that the GoV retains a strong focus on local community development in its thinking about the developmental state.

6.6. Conclusion

The literature is divided into two main streams of thought about the relationship between NGOs and the state. The first school argues that NGOs are a replacement institutions in response to the failure of the state, providing what government agencies are unable to deliver, and at the same time, presenting 'the most serious challenge to the imperatives of statehood in the realms of territorial integrity, security, autonomy, and

revenue' (Fernando and Heston 1997: 8; see also Lewis and Kanji 2009; and Sending and Neumann 2006). In contrast, the second school sees that, by having strong professional staff, producing effective programs and extensive, well-researched policy papers. NGOs can bring their skills to help the state and contribute to enhancing its capacities (Raustiala 1997; Duffy 2006). From the above analysis of INGOs in Vietnam and case studies, the second argument seems to be more relevant in this circumstance but the equally interesting issue, and less researched one, is their influence on the developmental thinking of states.

The case studies showed that INGOs in Vietnam bring a sustainable development approach, ensure the voices of people are genuinely heard, and encourage the participation of people in policy-making process. In so doing, they develop grassroots democracy processes, enable effective capacity building and the long-term effectiveness of programs and policies. Many of the programs implement humanitarian assistance and sustainable development for vulnerable groups and poor people. In these ways, INGOs actually bring their capacities to the advantage of the developmental state and can contribute to enhancing the state's abilities. It is clear that INGOs in Vietnam supplied useful resources to the GoV. Yet this is only the case because the GoV has taken a proactive approach to ensuring that they are aware of, and engaged in, the work of INGOs in the country, which is not often the case elsewhere. Among other gains, this engagement has meant that the GoV has been able to replicate efficient INGO models. Moreover, the influence of INGOs' developmental strategies on the developmental state mindset and policies in Vietnam are clearly evident in this circumstance.

Yet, the case studies also showed that after successes in building models, INGOs usually share their experiences with, or transfer these models to, local governments. Local governments do replicate these models using their own budgets. Once more, this suggests that INGOs in Vietnam can be developmental state enhancing.

Further, INGOs are not permanent. They can and do withdraw their programs and projects and move in other areas - or indeed countries, though Vietnam has been a popular with both INGOs, bilateral and multilateral donors for around two decades. More research on the perceptions of communities in remote areas regarding INGOs and the government would be needed to develop firmer conclusions on the impact in Vietnam. Yet, as was shown in this chapter, it is clear that the relationship between

INGOs and developmental state capacity is clearly complex and multidimensional but that there is no simple undermining of state autonomy. Thus, the idea of the developmental mindset seems to be the best explanation for the situation in which the Vietnamese state still keeps a leading role, but allows INGOs to work in some areas of need, where the state is not delivering effectively or is not able to deliver.

Chapter Seven

Conclusions

There has long been controversy in the research literature over the traditional model of a developmental state and a new debate about the components, or indeed model, of contemporary developmental states, in light of globalisation. A traditional developmental state is normally demonstrated by a strong interventionist state leading the course of national economic development, with its key features of strong and influential leadership, effective political-economic institutions and key developmental policy choices. Scholars have debated whether traditional developmental states have been changing and becoming more neoliberal since the Asian financial crisis in particular. They note the influence of the global context and debate whether international actors have been forces for improvement of developmental state capacity or contributed to a move away from developmentalist directions.

This thesis utilised Elizabeth Thurbon's idea of the developmental mindset that focuses on ideational aspects rather than institutions and policies that have been the basis for traditional developmental state theorists in order to explore the extent to which Vietnam is a developmental state. According to Thurbon, the rootedness of institutional or policy changes is fundamentally influenced by the mindset of the policymaking elite. Therefore, the mindset informs 'the institutions and policies' and thus the ideas need to be returned 'to the center of developmental state theorising' (Thurbon 2016: 17). Thurbon's mindset-strategy framework provides a new, insightful way to analyse the case of Vietnam. One of the key questions about its path in contemporary times is the extent to which it has been following a developmental state approach (Gainsborough 2010; Pham 2012; Masina 2012) or whether it is now more strongly influenced by a market-oriented (Nguyen 2012; Le 2013; Vu 2013; Nguyen 2015) or even neoliberal (Bui 2015) approach to development. The concept of the developmental mindset offers a new, more dynamic, future-oriented way to investigate this debate, focusing on the perceptions of a range of developmental actors.

In light of these debates, the objective of this thesis has been to investigate and evaluate the impact of three crucial actors in Vietnam on the developmental mindset in the country. These actors are foreign economic actors, IOs, and INGOs, and the thesis has

explored the perceptions of the influence of these actors and the ways they influence the Vietnamese developmental state mindset and related policy domains. In so doing, the thesis has provided specific evidence from Vietnam on the battle for the developmental mindset of this transition economy and the role played by foreign economic actions, notably IOs and NGOs in that battle. It has, more generally, revealed some of the contemporary and emerging fault lines around developmental states and globalisation. This conclusion summarises what the thesis found starting with the historical analysis of the impact of *Doi Moi*.

The historical and political evolution of the Vietnamese state

Vietnam launched a major renovation called *Doi Moi* from 1986 to shift the principles of state management from bureaucratically centralised mechanisms to market-based mechanisms. The state apparatus before *Doi Moi* was designed as a socialist state like the USSR, Eastern European states during their socialist period or the Chinese state. Two important points for socialist models are the role of the Communist Party in the state and the features of economic regime. The leadership role of the Communist Party was institutionalised in Vietnam; all state agencies, social organisations and sectors at all levels were required to legally comply with the Party's leadership. The economic regime was based on consolidated socialist ownership of production including two elements: a stated-owned element, which was owned by all people and a cooperative element. These principles changed after *Doi Moi*.

The Vietnamese state apparatus was reorganised and this transformation was influenced by market and developmental state ideas. The principles of socialist centralism were reconsidered and applied more appropriately. The operation of state apparatus changed from a centralisation-principle to a decentralisation-principle. Regulation of the economic regime also underwent crucial changes from being centrally planned with extensive state monopolies to a multi-component commodity economy and now to what the Government calls a 'socialist-oriented market economy', though the exact organisation and meaning of this latter organisational form is still a work in progress.

These major renovations of institutions paved the way for Vietnam to start international integration, as did the lifting of the embargo by the USA in 1994. Vietnam joined

ASEAN in 1997 and the WTO in 2007. In this process, the Vietnamese state's developmental strategies were significantly influenced by newly emerging actors, in particular foreign economic actors, IOs, and INGOs. What is not clear, in the wake of the major reforms that have been ongoing, is whether Vietnam has instituted a strong developmentalist approach or whether it has moved towards a more market-based approach to development. The case study chapters of the thesis set out to evaluate this through the concept of a developmental mindset.

FDI and its influence on the Vietnamese state's developmental mindset

Foreign economic actors emerged in Vietnam after the implementation the 'open door' policy in 1986, and expanded rapidly in 1990s. These actors have contributed greatly to the political economic restructuring and development of the country. FDI has spread into a range of economic sectors including domestic invested sectors, which has created competitive pressures and promoted renovation and technology transformation. FDI is perceived to have contributed substantially to enhancing economic management capacity in the country, improving the business environment, and promoting international integration. However, along with some achievements, FDI inflows have also posed major challenges to Vietnamese state managerial capacity in a number of areas. In particular, there have been such challenges as how can Vietnam effectively attract modern technology, develop modern professional management skills in the workforce and build other workforce skills. These are needed to not just attract FDI in mid to high technology sectors, but also more broadly across the economy. FDI operations also pose developmental challenges around the need for reform of the legal framework to fit with international regimes and expectations; budget dependence on FDI; increasing the gaps between the rich and poor regions of the country; and the need for effective ways to manage industrial zones. Challenges have also become evident in the debates over the need to support local enterprises against the competitiveness of foreign ones, in providing employment for farmers whose lands have been lost to industrial zones and in managing environmental pollution. Responding to these difficulties and problems has, to some extent, contributed to enhancing Vietnamese state capacity on the one hand and to enriching the developmental mindset, on the other hand.

In order to develop a more fine-grained analysis of these issues, a case study of Vinh Phuc province in northern Vietnam was undertaken. The case study demonstrated that the local leaders recognised that the province's economy in general, and the province's budget, in particular, had significantly benefitted from FDI, and indeed, 'if Vinh Phuc was not the recipient of FDI, it would not have developed like it has' (Cong, interviewee). The main contribution of FDI sector was not just the increase in the province's budget, FDI has also played an important role in motivating and encouraging the local economic sector to compete nationally and beyond. In this sense, FDI has contributed to creating a competitive (developmental) mindset amongst local businesses and provincial government managers to attract investment.

At the same time, there have been challenges to provincial governance in terms of policy-making and implementation that have arisen in part because of a loose and not sufficiently comprehensive legislative regime for the new political-economic regime. This created loopholes that some enterprises took advantage of, leading to a series of problems that still do not have solutions, such as transfer pricing, false investment and tax evasion. Relatedly, the management capacity of provincial cadres is perceived to not yet meet the requirement of the sector, which also contributed to the success of foreign enterprises in exploiting loopholes.

Further, pressures on local government have arisen in attracting and managing the FDI sector, such as managing environmental pollution, planning and filling up industrial zones and ensuring social-economic security related to foreign investment. These pressures were important not only in relation to the changing mechanisms of local governance policy making, but also influenced local government's developmental strategies and policy implementation. Thus, promulgating effective strategic directions and policies in order to ensure there is effective management of the foreign investment sector is an essential requirement for local government. What is clear here is the provincial officials have a strong grasp of, and concern with, such issues. In turn, this demonstrates that provincial governments have a developmental mindset – in this case about maximising the benefits of FDI to the local economy and mitigating the costs.

Linking the analysis of the FDI in Vietnam and the case study of Vinh Phuc province to some of the key literature on the effects of FDI on the developmental state highlights a few key points. First, developmental state theorists argue that a strategic alliance of

MNCs (especially through investment liberalisation) and the state can, in some cases, assist the state's goals (Chang 2003; Block and Keller 2011). For this to be a strategic relationship, nation states need to retain their important role in political and economic development, and in building or augmenting state capacity. Indeed, for Weiss (1998: 212) this is 'the lesson of dynamic integration'. Further, she highlighted that 'strategic alliances' of MNCs and national governments in which the nation state still operates as 'a pillar of so-called policy autonomy' can promote the state, increasing capacity enhancement (Weiss 1999: 60). For this to be the case, MNC operations need to effectively promote the state, not undermine it, as well as increase capacity enhancement in a range of ways, and enhance infrastructural capacity (Mann 1997: 487, 488). Looking at FDI in Vietnam, the thesis demonstrated that the country has a number of the characteristics of a strong developmental state. At a minimum, the state's management of FDI has not undermined state power, rather perceptions of its capacity have overall been enhanced by the attraction and operation of FDI. Yet, my interviews highlighted that local actors in Vietnam are nevertheless concerned about the robustness of the alliances with various FDI interests. It seems, then that FDI as 'strategic alliance' will continue to be a challenge for Vietnam in order to maintain its developmental credentials.

As the interviews in Chapter Three highlighted, FDI poses a range of challenges for Vietnam. The interviews highlighted concerns about cadres' abilities, macroeconomic management and policy-making capacities, environmental pollution and social economic security. While up to now, Vietnam has been able to attract and manage FDI, so demonstrating its capacity as a developmental state, as FDI presence matures in the country, these managerial challenges will become more important and the country's ability to manage them will be seen as a key marker of its developmental state capacity. Thus, the Vietnamese government has to focus on enhancing their capacities in these areas to ensure it obtains the maximum benefits from FDI.

Vietnam has not reached many of its planned targets in luring foreign investment (Do 2016; Son, interviewee). Vietnam is also interested in moving up the value chain through FDI investment toward higher technology production. While the goal is there, the fact that Vietnamese national technology networks have not been strong enough or had enough prominence in policy in order to compete with the foreign branches of MNCs in Vietnam (Do 2016), demonstrates a key limitations in the developmental approach of the country.

IOs and their influence on Vietnam's developmental mindset

Turning to the expansion of international organisations outlined in Chapters Four and Five, these actors also grew in Vietnam after *Doi Moi*, particularly during the 1990s. Now a range of IOs work in the country and they continue to expand their operations. Beside the benefits these organisations bring, their growth also poses a range of challenges to the Vietnamese state regarding ideological, economic and political independence, and also in terms of how they have influenced thinking about what development is and how it should occur.

In the case of the UN system, Vietnam has taken advantage of their capital, and intellectual and technical assistance to benefit the country's socio-economic development. However, the UN's work on things like the independence of the judiciary and civil society actors usually involves the inclusions of human rights. UNDP projects normally support building a democratic administration and developing civil society and they support values such as: political-religious freedom, transparency, and accountability. Despite the importance of some of these values, much of the UNDP's work in Vietnam does promote a fairly Western approach to the rule of law and governance. This creates two issues for Vietnam, first in the tension between UNDP values and the country's socialist, one-party system and secondly, whether this closes the space for thinking about developmental approaches.

Regarding the WTO, the case study identified a consensus among Vietnamese politicians, scientists, and businesses about the significant influence of this organisation's rules and norms on Vietnamese policy and developmental approaches. They were nervous and concerned about whether the country could effectively deal with the changes in the business environment demanded by WTO accession. A key concern was around the required adjustments to the domestic law system to meet WTO rules. In addition, local entrepreneurs perceived domestic enterprises would be forced into international competition, especially through the lowering of tariffs and the removal of allowances that were not WTO compliant. Certainly, accession to the WTO has shaped state governance capacity in areas such as law-making capacity, trade and industrial regulation and advancement. Still, the case study demonstrated that the Vietnamese government was conscious of many of the challenges that WTO accession would bring and bought in alternative economic policy thinkers like Joseph Stiglitz and Walden

Bello to try to ensure that they had understood the implications. This activist approach suggests an ongoing strong concern with developmental state concerns.

In the case of the World Bank, the organisation is perceived to have made significant contributions to solving difficulties and motivating institutional reform in Vietnam in its transition from a centrally planned economy to a market-based one. Each arena of Bank activity, such as country assistance or partnership strategies (CAS/CPS), leading donor coordination, or the Bank's activities in advice and consultation, is seen to influence different aspects of Vietnamese developmental state trajectories and policies. However, when viewed through the lens of the developmental state mindset, there is a gap between the GoV in its 'peculiar' goal of a socialist-oriented market economy, and the Bank's expectations, which are an absolute market economy or perhaps a neoliberal economy, strong democratic governance and more transparent policy-making.

Chapter Five not only showed the influence of the Bank on Vietnam's transition but also provided perceptions about its impact on the developmental state mindset in Vietnam. Some analysts see that the GoV, despite the Bank's influence, has kept a notable degree of autonomy in policy implementation. The Government has been able to use suggestions from the Bank in their own ways to develop their policy-making capacity and apply this to fit Vietnam's context. This is a lesson from Vietnam that the Bank itself noted as they argued that, in order to achieve success, they needed to change the GoV's development mindset to bring it in line with their own, and to promote this at both a national and grassroots levels (Kwakwa 2013). Therefore, as Engel (2010: 198) concluded 'the Bank has been part of the changing ideological terrain in Vietnam regarding the role of states and markets but neither the level of change nor the influence of the World Bank or other donors should be exaggerated.' Further the continuation of Vietnam's 'peculiar' goals such as a socialist-oriented market economy, socialist rule of law, and socialist culture, show that Vietnam is likely to take more a developmental state approach rather than a neoliberal one, which is the Bank's expectation.

Different IOs have different ways and forms of influencing the state. As international actors, the UN, the WTO and the World Bank with their trade commitments; lending programs; support for policy and institutional reform; policy analysis and advisor activities, have influenced the GoV and often in market-based directions, challenging a developmental state approach. Yet some of their activities and support has helped to

reinforce and augment aspects of Vietnamese state capacity such as policy implementation, law making and adjustment, and state competitive capacity. This fits with the work of scholars who have argued IOs as effective instruments to help improve nation state capacity (Barnett and Finnemore 1999; Iriye 2002; Barkin 2013). However, in the view of scholars like Stiglitz and Bello, IOs such as the IMF, WTO, and World Bank, often promote damaging rules and operations. Their regulations often discriminate against, and create difficulties for, developing countries. They spread the political hegemony of the developed states and that activity has caused a negative spillover in poor countries. Further, their view of good governance and democracy is one that actually limits democracy by defining a whole range of areas as economic, and hence outside of the role of politics. This analysis also has resonance with the developmental trajectory of contemporary Vietnam, as they demand institutional 'reform', require greater transparency, press for the improvement of human rights, and, significantly, put a market centred view development at the centre of their approach. What is interesting here is that generally, these organisations have been relatively positively perceived in Vietnam. Such perception suggests that they may be able to further push the country's developmental mindset towards a market-based approach and away from a developmental state one.

INGOs and their influence on Vietnam's developmental mindset and policies

By 2014, there were appropriately 1,000 INGOs in Vietnam coming from over 30 countries and territories, and operating in almost all provinces and cities of Vietnam. The research in this thesis demonstrated that there is a strong perception that these organisations have successfully and effectively contributed to social development in many ways, including reducing poverty and improving the living standards of people in the areas where their projects are. While some scholars and analysts have raised concerns about the potential of INGOs to undermine the role of the state, which has been the case in a range of developing states, that has not been apparent in Vietnam. INGOs have introduced several new models, methods, and approaches to development in Vietnam, and these have been generally well regarded. In the perception of government officials, INGOs have positively impacted not only on the capacity of cadres and people, but also poverty reduction and social development. Through INGO

projects, thousands of grassroots officials and hundreds of thousands of people were trained to enhance their capacities.

The case studies of Care International and World Vision International in Vietnam demonstrated the ways that local governments and people are perceived to have benefited from INGO projects and programs. Many typical program models developed by these organisations have been replicated in other areas by local governments. Government officials have also benefitted from these projects, in other ways, especially in the training and resultant enhanced capacity. Many INGOs in Vietnam have presumed that the right way to change government officials' developmental mindset is by involving them in their projects and demonstrating their effectiveness. In so doing, INGOs have actually brought their resources to the advantage of the Vietnamese state and contributed to enhancing developmental state capacity in social development. In Vietnam, many INGOs are perceived to have built strong relationships with government, which was considered, in perceptions of INGOs and GoV staff, as a key point and lesson in the success of their activities. Local governments provided orientation to field projects and linked to national programs, area priorities, and the local social-economic development plan. Taking advantages of these channels, INGOs enhanced the success of their programs and seems to have positively contributed to the Vietnamese developmental mindset regarding the benefits of local participation and poverty reduction activities in contributing to the overall developmental framework.

Due to these characteristics, some scholars argue that INGOs in Vietnam have lost or compromised their independence (Payne 2004: 3; Dang 2009: 26). Equally, it could be argued that the Vietnamese state has made concessions allowing INGOs to function and becoming a channel for their work. Nevertheless, some local authorities remain afraid of INGOs working on issues such as grassroots democracy, governance and human rights, because these are considered sensitive issues that are deemed to be the responsibilities of the state government rather than of foreign organisations. Such tensions demonstrate the limits of the INGO impact on the social and political development paradigm in the country. Thus, this is an important issue in term of thinking about the relationship between the Vietnamese government and INGOs into the future. Overall though, Vietnam's views of INGOs fits with the theoretical arguments that NGOs bring participation to 'the advantage of states' and contribute to

improving the state's abilities (Raustiala 1997: 720; Duffy 2006). Furthermore, through the lens of developmental state theorists, it can be said that INGOs have contributed to, reinforced, and augmented the Vietnamese developmental state mindset.

Conclusion

Overall, the investigations of the three types of international actors above showed their effects on Vietnamese developmental state mindset and policies. These international actors contribute to enhancing state capacity and to enriching the developmental mindset in general. Each actor has different ways of affecting different aspects of the developmental state mindset and capacity. FDI has had more of an impact on economic management, in the process challenging developmental state capacity in sustainable economic development and highlighting the need for policy reform as well as cadres' capacities enhancement in FDI management. Thus, FDI has influenced but has not undermined local government's developmental mindset, local government's developmental capacity and the Vietnamese developmental state mindset. In Vietnam, IOs have concentrated on institutional reform and brought international rules and Western norms to Vietnam, often requiring adjustments to domestic laws and changes of political ideology as well. Thus, the main contribution of IOs has been at the level of national developmental strategy and institutional capacity enhancement. Overall, the thesis demonstrated that IOs challenge the institutionalisation of an activist developmental mindset in Vietnam, through their tendency to define a range of issues as in the remit of markets and thus outside that of states. INGOs mainly focus on the grassroots level, including vulnerable and poor people in undeveloped rural and remote areas, and in so doing, influence local government, particularly through introducing their new models, methods, and approaches to development as well as training people. Thus, INGOs central contribution has been at the level of grassroots democracy, local governance and social development, although the support of central government for their involvement suggests Vietnam retains a developmental mindset with an interest in grassroots development.

Overall, the thesis has demonstrated the depth of engagement of international actors on Vietnam's developmental mindset at the national, provincial and local levels. All these international actors contribute in different ways to creating views around the role of the

state in economic management, and the direction of reform of political-economic institutions and of promoting social development. Of course, the effectiveness and extent of those influences depends on how their directions fit and interact with the strategy and plans of the GoV. As a Vietnamese officer said in an interview, ‘Vietnam is willing to use advice from the foreign partners. We select what is the essence of humankind. We admit our weakness and we are willing to learn, but they cannot force us.’ Or as an IO in Vietnam said: ‘the attempt to force reforms will never succeed’ and ‘this is a lesson from Vietnam that assistance could positively promote its role on policy encouragement instead of policy imposition’ (World Bank 2012: 17; 39). This is why a representative of the World Bank stated:

Vietnam has sought ideas, knowledge and even advice from development partners and then found ways to contextualise and adapt it to fit Vietnam’s own context. This means development partner ideas have not been taken on “hook line and sinker” (Kwakwa 2013).

Thus, identifying and analysing these various elements and perspectives above demonstrates the strong perception that a Vietnamese developmental state mindset still operates, and that there is a degree of policy autonomy although their developmental strategies have been influenced by international actors. Specifically, with the ‘peculiar’ goals of Vietnam, such as its socialist-oriented market economy, socialist rule of law, socialist culture, or in particular, ‘the central mechanism of state intervention (SOE reform, financial tool renew, state budget control, etc.), transforming agriculture, the course of industrialisation’ (Pham 2012), the conclusion is that Vietnam is still more of a developmental state than it is a liberal or neoliberal one.

To conclude, it is useful to reflect on contemporary issues. The international environment has become even more complex in the past couple of years with the election of Trump in the US, Brexit and China’s rising power and influence. We have seen the re-emergence of populism and extreme nationalism all in the midst of a challenge to the hegemony of the existing superpower, the US. Failed states are a growing concern and levels of global immigration and refugees are at an all-time high. The fourth industrial revolution (IR 4.0) linked to information technology is emerging as central concern around the world. Further, global issues such climate change; poverty and, injustice provide existential challenges to humanity. All of these

international challenges are also influencing the developmental strategies of nation-states across the world. Different states have different strategies of addressing the influences. But, these important issues only highlight the importance of thinking strategically about development and the importance of a developmental mindset, as developing states like in Vietnam will need to address these challenges proactively rather than as passive victims.

Appendix 1: List of interviewees

Provincial leaders:

- Mr Nguyen Binh Khuong, Head of Division, the Foreign-Economic Office, Planning and Investment Department, Vinh Phuc People's Committee;
- Mr Khong Thanh Cong, Vice Director of the Industrial Zones Management Board, Vinh Phuc People's Committee;
- Mr Nguyen Manh Doan, expert of the Foreign-Economic Office, Planning and Investment Department, Vinh Phuc People's Committee;
- Mr Phan Tien Dung, official of Foreign Economic Division, Planning and Investment Department Vinh Phuc People's Committee;
- Mr Nguyen Duy Hieu, Head of Division, the Labour, Employment and Social Insurance Office, Department of Labour, Invalids and Social affairs, Vinh Phuc People's Committee; and
- Mr Do Minh Duc, Senior Officer of Vinh Phuc Committee's Office, and consultant for the Chair and Vice-Chair of Vinh Phuc People Committee.

Experts:

- Dr Ngo Huy Duc, Director of the Institute of Political Science, Ho Chi Minh National Political Academy.
- Associate Professor, Dr Nguyen Viet Thong, a Secretary General of the Central Theoretical Council, Vietnamese Communist Party.
- Prof. Dr Phan Xuan Son, member of the Central Theoretical Council, Vietnamese Communist Party member of the National Scientific Council.

World Bank's officers:

- Nguyen Hong Ngan, in charge of external and communicated division, WB Vietnam.
- Dinh Tuan Viet, Senior Economics, WB Vietnam
- Bo Thi Hong Mai, in charge of partnership relation division, WB Vietnam

INGOs officers:

- Mr. Nguyen Van Anh, Director of agriculture and rural development programs, CARE Vietnam.
- Mrs, Khong Huong Lan, in charge of external relation and policy advocacy, World Vision Vietnam.
- Mr. Luu Quang Dai, in charge of the North programmes Management, PLAN Vietnam.

PACCOM's officers:

- Mr. Le Trung Hieu, Vice director, the people aid coordination, PACCOM.
- Mr. Don Tuan Phong, Chairman, PACCOM.

Appendix 2: List of interview questions

The research questions focused on:

- What are the key influences of the Vietnamese developmental state mindset and policy as well as on state power by the rise of Foreign Economic Actors?
- What does the development and empowerment of International Organisations mean to Vietnam?
- What does the development and empowerment of Non-Governmental Organisations mean in Vietnam?
- How do these organisations impact on the Vietnamese developmental state mindset and policy as well as on state power?

Questions in Vinh Phuc Province

Foreign-funded enterprise owners

- How much capital has been invested by your company? Has this increased or reduced in recent years?
- How many workers are in your company? Where do they mostly come from? How about their qualification, do they meet your company's requirements? Have these numbers increased or reduced in recent years? Do you have any special policies to attract the right labour force (priorities, bonuses, etc.)?
- Can you tell me about your company's main use of land? Are there any needs your company has had supported by local government?
- Are the goods produced by your company used mainly for export, domestic consumption, or both of them?
- What is your estimation on the competitive capacity of your company in comparison with local companies?
- Can you tell me about your company's strategy for investment/development in the next years?

Local governmental officers

- What are the main contributions of FDI to the development of the province?
- What are the difficulties encountered in managing the foreign investment sector?
- What challenges does the local government face in governing the local area in the context of high levels of foreign investment and industrial development?
- Does the local government make concessions (give priorities, enhancements, etc.) to the foreign economic sector?

Leaders of World Bank in Vietnam

- How has the World Bank in Vietnam developed its strategy, approach and lending projects since the 1990s?
- How have your policies changed over time and why?
- Can you tell me about your view of the role and impact of World Bank projects in Vietnamese society?
- How well do you think the World Bank coordinates with the Vietnamese government?
- Has the Bank achieved of its targets in Vietnam? Why or why not?

Leaders of Non-governmental Organizations in Vietnam

- Can you tell me about how your organisation in Vietnam has developed in terms of its scale and type of operations since you were established?
- What have been the main advantages (promotions, priorities, etc.) and disadvantages (fences/barriers, etc.) from Vietnam's government policies?
- What are the goals of your overall program in Vietnam and the outcomes? What have been some of the most successful projects and why?
- What are your estimations of the role and impact of their projects in social development in Vietnam?
- Why do you think you've been successful in working in Vietnam?
- If you can compare the effectiveness of projects of your organisation with the implementations of Vietnamese government, what comparisons would you draw?

Experts from the Central Party Board of Consultants

- How do you think about the influence of emergent actors in Vietnam on state power and the developmental mindset in the context of globalisation?
- Are there any projects in your Centre which study these issues? What have they found?
- Are there any consultations/ recommendations on these issues for Communist Party of Vietnam?

How do you think these actors will impact Vietnam's development in the next few years?

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